



# **MBTA Retirement Fund**

A Pension Trust Fund between the Massachusetts Bay  
Transportation Authority and its Employees

## **2020 Annual Comprehensive Financial Report**

For the years ended December 31, 2020 & 2019  
Boston, Massachusetts

**Issued by:**

**John P. Barry, Interim-Executive Director**

# **MBTA Retirement Fund**

**A Pension Trust Fund administering benefits earned by employees of the  
Massachusetts Bay Transportation Authority**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**For the Years Ended December 31, 2020 and 2019**

**Prepared By  
The MBTA Retirement Fund Staff**



The Massachusetts Bay Transportation Authority Retirement Fund is a private trust created in 1948 by the Metropolitan Transit Authority, the predecessor agency to the Massachusetts Bay Transportation Authority ("MBTA"), and The Boston Carmen's Union, Amalgamated Transit Union Local 589. Our mission then, as now, is to provide retirement benefits to the membership consisting of the transit workers and others employed by the MBTA. To ensure that the pensions earned by active and retired members, and their beneficiaries, remain secure, we are dedicated to managing a strong and diversified investment program.

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# INTRODUCTORY SECTION

(Unaudited)



June 22, 2021

Board of Trustees  
Massachusetts Bay Transportation Authority Retirement Fund  
One Washington Mall, 4<sup>th</sup> Floor  
Boston, MA 02108

On behalf of the Board of Trustees I am pleased to submit the Massachusetts Bay Transportation Authority Retirement Fund's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2020. The ACFR reflects that our commitment to accurate and transparent financial reporting is as strong as our commitment to excellence in customer service.

The ultimate responsibility for the integrity of the data presented within this report and the fair presentation of the financial statements, in all material respects lies with Management. This report is intended to provide complete and reliable information of the Fund's investments, financial statements, and performance returns.

To provide a reasonable basis for making these representations, management maintains a sufficient set of internal control procedures designed to implement reasonable assurance that assets are properly safeguarded, transactions are properly executed, and reliable information is utilized for the preparation of the Fund's financial statements in conformity with Generally Accepted Accounting Principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The Fund's transactions are reported on the accrual basis of accounting. The objective of the internal control framework is to obtain reasonable rather than absolute assurance that the financial statements will be free from material misstatement since the cost of controls should not exceed anticipated benefits to be derived.

Our independent external auditors, KPMG LLP have conducted an audit of the Basic Financial Statements in accordance with auditing standards generally accepted in the United States performing tests and procedures as they deem necessary to express opinions on the Basic Financial Statements in their report to the Board.

Within the financial section, the Management Discussion & Analysis (MD&A) follows the independent auditors' report and provides an overview of the Fund's financial statement and financial results. The MD&A complements this letter of transmittal and should be read in conjunction with this letter.

#### **Profile of the MBTA Retirement Fund**

The Fund was established on January 1, 1948, under an agreement and declaration of trust (restated on October 28, 1980) by and among the Massachusetts Bay Transportation Authority (the Authority), Local 589, Amalgamated Transit Union, Boston Carmen's Union and AFL CIO (collectively, the Union).

(Continued)

The Fund is a single employer plan. It was established as a contributory defined benefit retirement plan in accordance with the Pension Agreement; effective July 1, 1970, (restated thereafter) adopted by the Authority and the Union for the purpose of receiving contributions and providing pension benefits for its Members and qualified beneficiaries.

The MBTA Retirement Fund Board seeks to utilize its assets under management to the benefit of the membership by strategically and methodically allocating financial resources to a differentiated portfolio of investments while utilizing the knowledge and experience of a broad range of investment managers. An overview of the Investment Policy Statement is included in the Investment Section, on page 104.

The Board determines investment objectives, strategies, and policies of the Fund. The Executive Director of the Fund is accountable for the Fund's general management and operations and reports to and advises the six-member Board of Trustees. The staff of the Fund work diligently to uphold the original mission of serving Members and their families.

As of December 31, 2020, the Fund had approximately \$1,769.9 million in net position restricted for pension benefits compared to \$1,614.1 million for the prior calendar year, representing an increase of \$155.8 million in net positions. The MBTA Retirement Fund Board utilizes the services of a third-party custodian institution to assist with the settlement and accounting for investment and cash transactions.

#### **Interim-Executive Director Discussion**

The year 2020 was like no other in recent history, life as we knew it came to a screeching halt. Despite life altering changes, challenges, steep job losses, and several highs and lows in the stock market the year ended on a record high with all indices in positive territory. The Federal Reserve slashed interest rates to zero in March 2020 in attempt to stimulate growth and assist struggling businesses. Furthermore, the stock market's resurgence was powered by one of the largest government stimulus packages from the Federal Reserve and as the coronavirus vaccines became more readily available. This recovery resulted in a positive 2020 gross return of 15.26% on a time-weighted performance basis and the Fund outperformed its benchmark by 462 basis points. The Board continues to monitor the investment environment and makes prudent decisions on behalf of the Members. The Fund's well-diversified portfolio is positioned to overcome volatility, challenges, and risks.

#### **Operational Changes**

In early 2020, the world experienced and unprecedented global health crisis as the COVID-19 pandemic caused significant social and economic disruptions. In March 2020, Governor Baker issued a shelter-in-place order for all but essential workers. In response, the Fund adopted creative ways to serve the membership remotely, safely, and effectively from home. We continue to operate in a hybrid manner to keep the membership and staff safe while continuing to deliver quality service. The latest operational amendments are posted on the Fund's website and are continuously updated as need.

(Continued)

**Objectives and Goals**

In an effort to focus on our sustainability for the future and protecting our member's assets, the Fund maintains a Strategic Plan that outlines many goals and objectives. The Retirement Board is always looking to continually improve financial reporting, accountability and transparency. In addition, the Fund works to cultivate a high-performing, professional and innovative organization, which encourages professional and continuing education for all Board, committee and staff members.

The Fund aspires to develop a technologically sophisticated infrastructure in order to better serve members and retirees. I encourage our membership to visit the Fund's website which can be found at [www.mbtarf.com](http://www.mbtarf.com). The Fund contracted the firm, Pension Technology Group, to develop and update our pension benefit software program. We will continue to make small improvements as circumstances warrant. The software has provided enhanced capabilities and security permitting the Fund's data providers to interface with the system allowing data to load into the system via an automated process.

An employee self-service website was launched on April 1, 2020. This site offers active members the ability to create their own retirement benefit estimates using the most recent service and earnings history. Furthermore, Members have the capacity to print forms to notify the Fund of certain changes to their personal information. Retired members will be able to review their payment history for the preceding three months and print forms to setup direct deposit. This new online platform can be found at [www.pensiontechnologygroup.com/mbta](http://www.pensiontechnologygroup.com/mbta).

As the result of a comprehensive assessment of the Retirement Fund's IT infrastructure, Fund management recommended, and the Board of Trustees approved, an initiative to move many of the Fund's digital resources to the Microsoft Azure Cloud. The Fund believes that adopting a cloud-based computing model offers many advantages in relation to maintaining physical IT equipment directly on the Fund's business premises. One of the more significant advantages includes a reduction in capital expenditures needed to procure, service and replace expensive hardware throughout its service life. By using a cloud-based model, hardware and software components can be obtained on an as needed basis through monthly licensing and subscription agreements with Microsoft, allowing the Fund to avoid expensive hardware replacement projects every 5 to 7 years. In addition, the Azure Cloud will give the Fund many tools that offer significant advantages in responding to the increasing number and variety of malicious software threats that have impacted many private businesses and government organizations across the globe. As the Fund is required to maintain records of sensitive data to fulfill its mandate, assuring the security and privacy of this data remains one of the Fund's highest priorities. As of the time of this publication, the Fund has completed approximately 90% of the cloud migration project. The project is expected to be fully completed by the end of this year.

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**Investment Policy Overview**

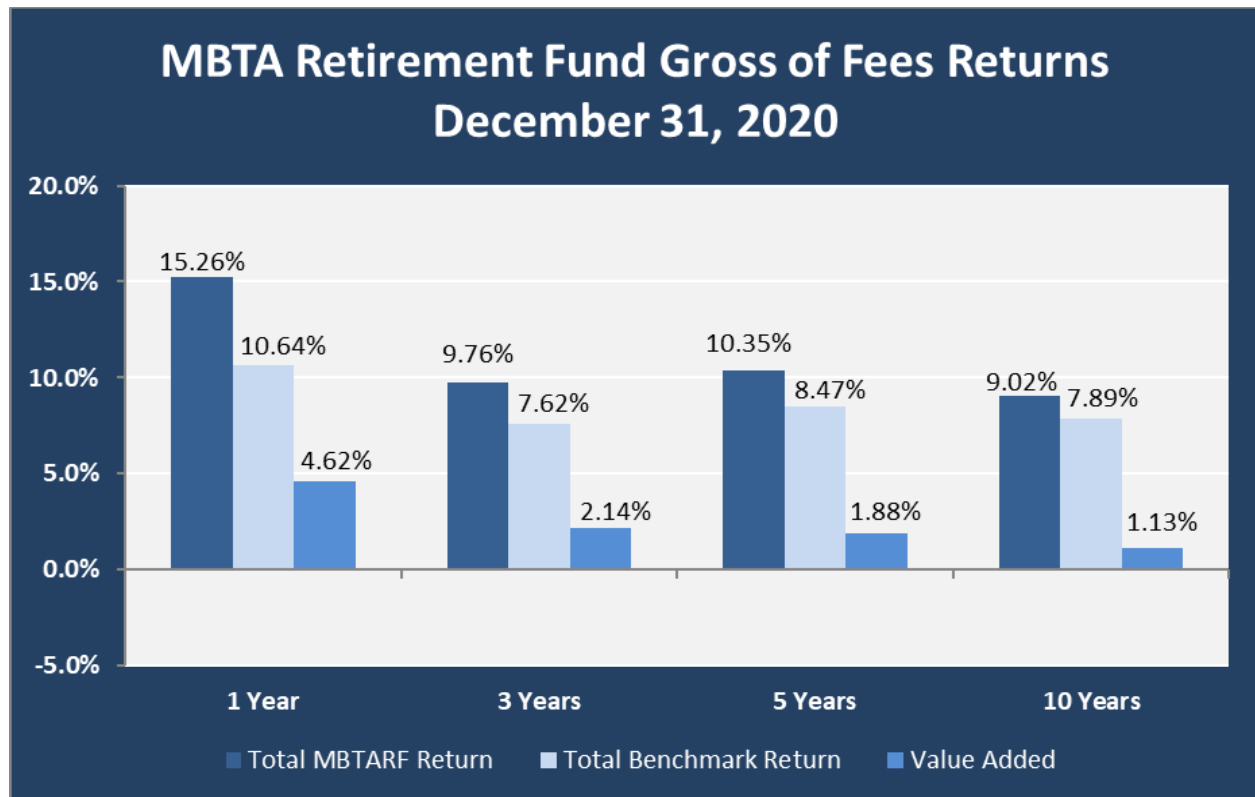
The Fund's portfolio is broadly diversified, holding investments ranging from publicly traded stocks and bonds to privately held partnerships. The scale and scope of these investments makes oversight of these assets highly complex where an investment policy is required. The Retirement Board of the Fund adopts an Investment Policy Statement (IPS) which establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of qualified and competent investment staff. In addition, the IPS is designed to obtain optimal risk-adjusted returns and ensure that investments are made for the exclusive benefits of the Members of the Fund. The Board also monitors the actions of staff, consultants, and advisors to ensure compliance with its policies. In 2020, the Fund convened its Investment Compliance Working Group to review the IPS, Investment Selection Process, Investment Management Compliance Policies and Financial Reporting. The current Investment Policy Statement has been in effect since July 2020. The Board's primary goal is to maintain a financially sound pension fund in order to provide financial security for its Members.

**MBTA Retirement Fund Performance**

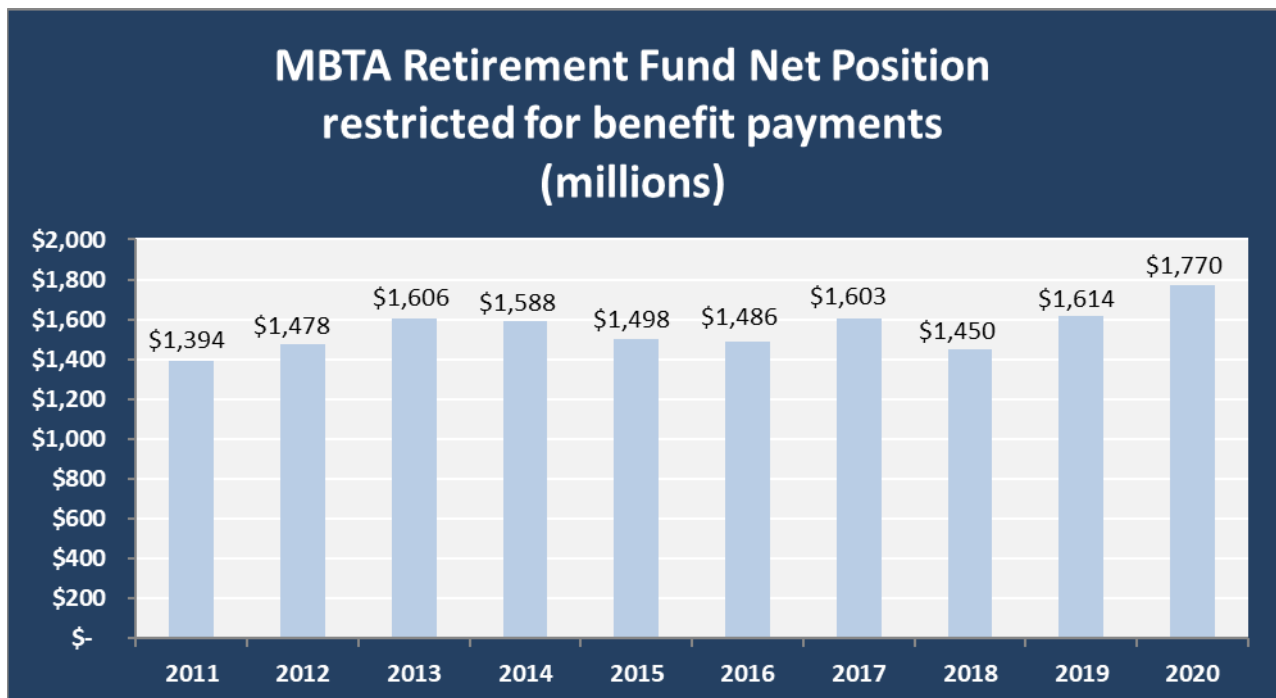
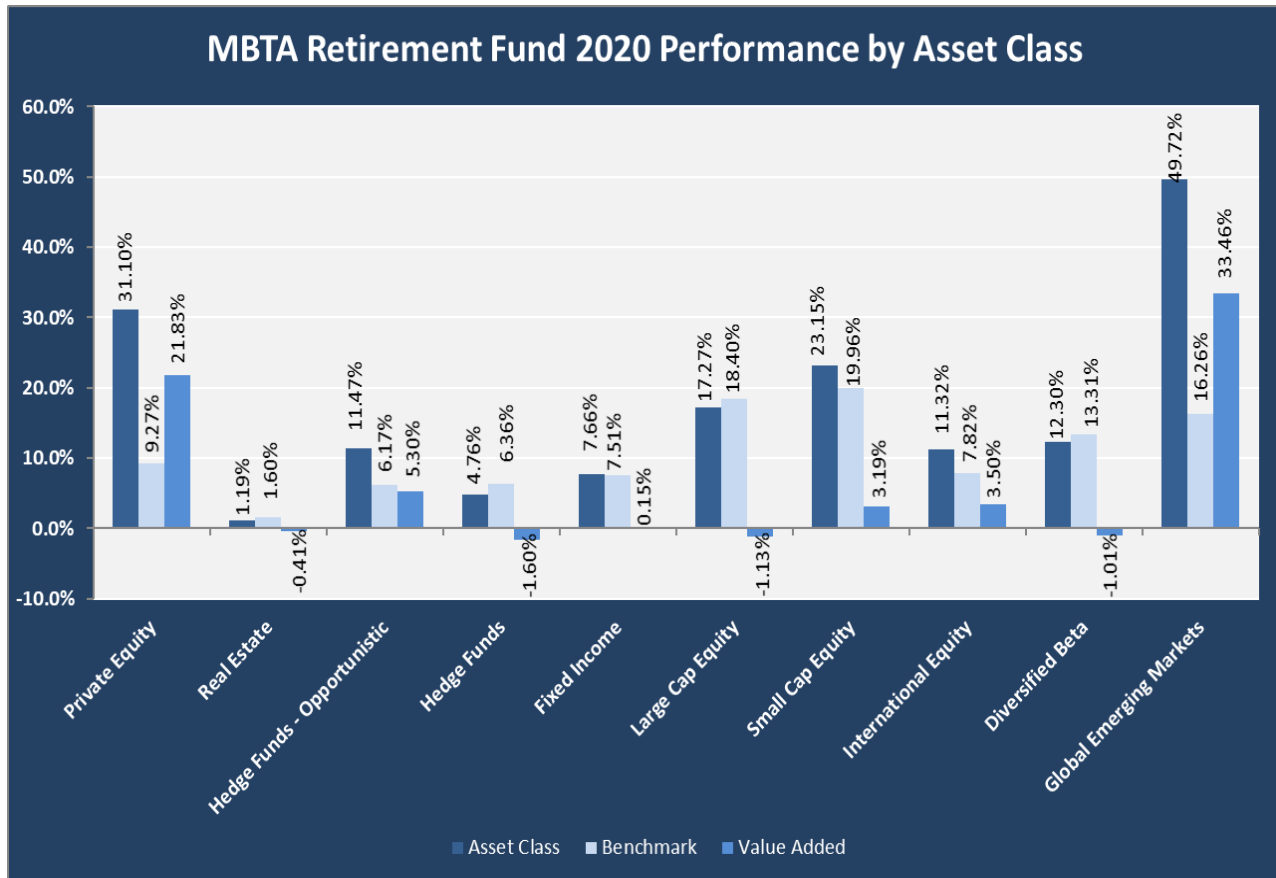
As the Board continues to focus on long-term performance, we are especially proud of the strong returns posted for 2020. As of December 31, 2020, the total Fund returns gross of fees with the exception of hedge funds which are net of fees was 15.26% and the annualized three and five-year returns were 9.76% and 10.35% respectively. For more detailed information regarding the Fund's investment policies, guidelines, and results please see the Investment Section of this report, starting on page 66.

*Year Ended December 31, 2020*

- The Fund gained 15.26% outperforming the total policy benchmark of 10.64% by 462 basis points.
- The Fund's inception to date gross return is 9.47%.
- The return equates to an investment gain of \$228.6 million.
- Net total outflows to pay benefits for the calendar year were approximately \$221.4 million.
- The return outperformed the actuarial rate of return of 7.25%.



(Continued)



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**Management's Discussion and Analysis**

The MD&A beginning on page 27 provides an overview and analysis of the Fund's basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with this letter.

**Markets and Outlook**

The vaccine rollout and the federal stimulus checks continue to boost the economy. However, the post lockdown growth is creating inflation pressures and interest rates are likely to increase over the next year causing probable volatility in the stock market. Its going to take some time for the economy to fully recover from the business closures and consequences from the pandemic.

Consumer and business confidences continue to rise as US states start to reopen after the pandemic. Although hiring has picked up and the economy is slowly healing, there are still millions of people unemployed. There is still work that needs to be done to bring the economy back to full health.

To date this year, the U.S. stock markets continue to see growth, but some stocks are not doing as well. Higher interest rates have led to some volatility especially in growth and technology companies. The international equity and emerging market returns have shown some modest gains whereas fixed income is in negative territory as inflation increases.

Despite the unpredictable market environment, it is important that our Members know that the Fund's investment portfolio is broadly diversified, and we expect to perform strong over the long-term.

**Asset Allocation/Investments**

The Fund is responsible for implementing an asset allocation with an appropriate balance of risk and return. It is a critical component for formulating investment strategies. An asset-liability study is conducted in three to five-year intervals. This approach allows for sufficient flexibility to capture investment opportunities as they may occur yet provide parameters to ensure prudence and care while managing the Fund's assets. The Board approved an updated asset allocation in February 2020, and it has been in effect since April 2020. The Board's primary goal is to maintain a financially sound pension fund in order to provide financial security for its Members.

The applicable asset allocation for year 2020 (below) is the result of an asset-liability study conducted by the Fund's actuary, Buck Global, LLC, and investment advisor, Segal Marco Advisors. At year end the Fund's actual asset allocation was within approved target ranges.

(Continued)

| Asset Class                         | Target (%) | Minimum Exposure (%) | Maximum Exposure (%) |
|-------------------------------------|------------|----------------------|----------------------|
| <b>Equities</b>                     | 43         | 38                   | 48                   |
| Domestic Large Cap                  | 17         | 12                   | 22                   |
| Domestic Small Cap                  | 7          | 4                    | 10                   |
| International Equity (unhedged)     | 9          | 5                    | 13                   |
| International Small Cap             | 2          | 0                    | 4                    |
| Global / Emerging Markets           | 8          | 4                    | 12                   |
| <b>Fixed Income</b>                 | 23         | 20                   | 30                   |
| Core Fixed Income                   | 8          | 4                    | 12                   |
| Inflation Linked Securities         | 3          | 0                    | 5                    |
| Mortgages                           | 3          | 0                    | 5                    |
| Global & Multi Sector               | 6          | 3                    | 9                    |
| Bank Loans                          | 3          | 0                    | 5                    |
| Cash                                | 2          | 0                    | 3                    |
| <b>Alternative Investments</b>      | 32         | 20                   | 39                   |
| Private Equity                      | 8          | 4                    | 12                   |
| Private Credit                      | 2          | 0                    | 4                    |
| Real Estate                         | 9          | 5                    | 12                   |
| Fund of Hedge Funds                 | 5          | 2                    | 8                    |
| Fund of Hedge Funds - Opportunistic | 2          | 0                    | 4                    |
| Risk Parity                         | 6          | 3                    | 9                    |

The Board of Trustees and Management are responsible for continually reviewing investment manager performance in order to ensure the Fund is utilizing the best investment managers possible. In February of 2020, the Board voted to terminate the global fixed income manager, Franklin Templeton due to underperformance. The redeemed assets were received by the Fund in April 2020. In July 2020, the Board of Trustees voted to invest \$30 million in Pension Reserve Investment Management's (PRIM) Emerging Markets Equity Segmentation. The Emerging Markets Equity Segmentation investment was funded on August 3, 2020. At the October 2020, Board Meeting, an additional \$17.5 million was allocated to PRIM's Private Equity Vintage Year 2021 Segmentation Program (PEVY 2021). In addition to allocating to PEVY 2021, in October 2020, the Board also committed to a new private equity fund with a long-standing investment manager, New Mountain Partners VI.

### **Administration**

The Board of Trustees of the Retirement Fund is the highest authority within the organizational structure. As of December 31, 2020, the date of the Fund's most recent actuarial valuation, the Fund's membership included 5,674 members in active status, 6,710, retirees and beneficiaries receiving benefits and 3 terminated vested members who are not yet receiving benefits. The new pension management software that was implemented in Spring 2019 enables the Fund to efficiently track demographics for both active and retired Members as well as facilitate benefit payments via an automated process. In addition, the Fund launched an employee self-service platform for active and retired Members which offers remote access to their personal retirement information. I encourage you to visit the portal at [www.pensiontechnologygroup.com/mbta](http://www.pensiontechnologygroup.com/mbta)

(Continued)

**Membership**

Membership in the Fund is available to most MBTA employees although MBTA Police Officers are excluded. Employees who are or may become members of the Union are included in the membership of the Fund. Employees who are not members of the Union but who are on the regular payroll of the Authority and Members of the Fund on the date of the execution of the Fund's Pension Agreement are also included in the membership of the Fund. Members whose hire date is on or after December 6, 2012 will be required to complete at least twenty-five (25) years of creditable service and attain age 55 in order to be eligible for an early normal retirement allowance. For those members whose date of hire is prior to December 6, 2012, a completion of at least twenty-three (23) years of creditable service is required to receive compensation under an early normal allowance.

**Benefits**

The collectively bargained active wage agreement went into effect July 1, 2014. The current Pension Agreement expired on June 30, 2018; updates will be provided on our website when available. However, all terms remain in effect until a new agreement is negotiated.

**Contributions**

Benefits paid to Members are financed by employer contributions, employee contributions, and earnings on investments made by the Fund. Effective July 1, 2020, Members are required to contribute at a rate of 9.3339% of their pensionable salary while the Authority contribution rate is 26.6561%. The 2020 Actuarial Report demonstrated strong investment performance, resulting in a reduction of the unfunded accrued liability. Therefore, there was minimal decrease to the contribution rates effective July 1, 2021. However, on May 26, 2021, the MBTA Retirement Fund Board of Trustees Actuarial sub-committee unanimously voted to retain current 2019 contributions rates for the Authority and the Members. This vote was implemented in an effort to pay down the MBTA Retirement Fund's unfunded accrued liability and ultimately provide a more stable financial future for the retirees.

**Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fund for its annual comprehensive financial report for the fiscal year that ended December 31, 2019. In order to be awarded a Certificate of Achievement, the Fund must publish an easily readable and efficiently organized ACFR, the contents of which conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Fund has received this prestigious award for the last four years.

A Certificate of Achievement is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

(Continued)

**Membership Communications**

The MBTA Retirement Fund continues its focus on member communication through Milestones and posting pertinent information to our website at [www.mbtarf.com](http://www.mbtarf.com). We place a special emphasis on providing quality customer service to which we encourage feedback and welcome new ideas.

**Funding**

In setting contribution rates, the Board's principal objectives are to set rates so the unfunded actuarial accrued liability (UAAL) will be amortized over a reasonable period of time from the most recent valuation date and the set rates so they remain relatively level over time. An actuarial valuation is performed annually. No changes were made to the assumptions including the investment return of assumption of 7.25%, the inflation assumption of 2.75% and the wage increase assumption declining from 8% per year for newly hired to 2.75% with 15 or more years of service. The most recent actuarial valuation report, dated December 31, 2020, calculated the Fund's unfunded actuarial pension liability at \$1,419,068,994. As of December 31, 2020, the funded ratio is 53.55%. An experience study was performed in 2019 and the current proposed assumptions were adopted by the Board in April 2019. At that time, assumptions for salary increases, mortality tables, termination rates, and retirement rates were revised. The adoption of the most recent asset allocation still supports a 7.25% discount rate. However, the Board of Trustees are mindful of monitoring this rate to help facilitate financial solvency. In addition, investment managers' performances are reviewed monthly and if needed, adjustments to the portfolio are made to help increase and limit decreases to the Fund's overall return.

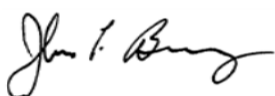
The actuarial firm, Buck Global, LLC, completed the actuarial reviews and valuations. For more information on the actuarial assumptions of the Fund as part of the December 31, 2020 valuation, please see the Summary of Actuarial Assumptions and Methods found in the Actuarial Section of the ACFR, starting on page 108.

**Acknowledgements**

The compilation of the ACFR reflects the combined efforts of the Fund's staff, Actuary, and Investment Advisor. Our goal is to present a thorough and accurate report that is easy for our members to read and understand. It is intended to provide complete and reliable information as a basis for making management decisions.

We would like to take this opportunity to express our appreciation to the Board of Trustees, Staff, Investment Advisor, Actuary, and to the many members who are working diligently to ensure the continued success of the Fund.

Yours respectfully,



John P. Barry  
Interim - Executive Director / Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**MBTA Retirement Fund  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO



**MBTA Retirement Fund Board Trustees**

Effective January 1, 2020

**James Evers, Interim Chairperson, Elected Member**

President-Business Agent of Local #589, A.T.U., the Boston Carmen's Union

**Michael Abramo, Appointed Member**

Chief Financial Officer, RHI Group & AssuriCare  
Former Chief Administrator, MBTA

**James Bradley, Elected Member, Local #589**

Financial Secretary – Treasurer Agent of Local #589, A.T.U., the Boston Carmen's Union

**Craig Hughes, Elected Member, Local #264**

Special Representative, Eastern Territory/ International Association of Machinists  
& Aerospace Workers

**Betsy Taylor, Appointed Member**

Retired Director of Finance, Massachusetts Port Authority  
Mass DOT Board Member  
Board Member of the Massport Employee Retirement System

**Jacquelyn Carey, Acting Board Secretary**

MBTA Retirement Fund

**Advisory Committees to the MBTA Retirement Fund Board**

**Audit and Actuary Committee**

**James Evers**

Board Member

**Michael Abramo**

Board Member

**James Bradley**

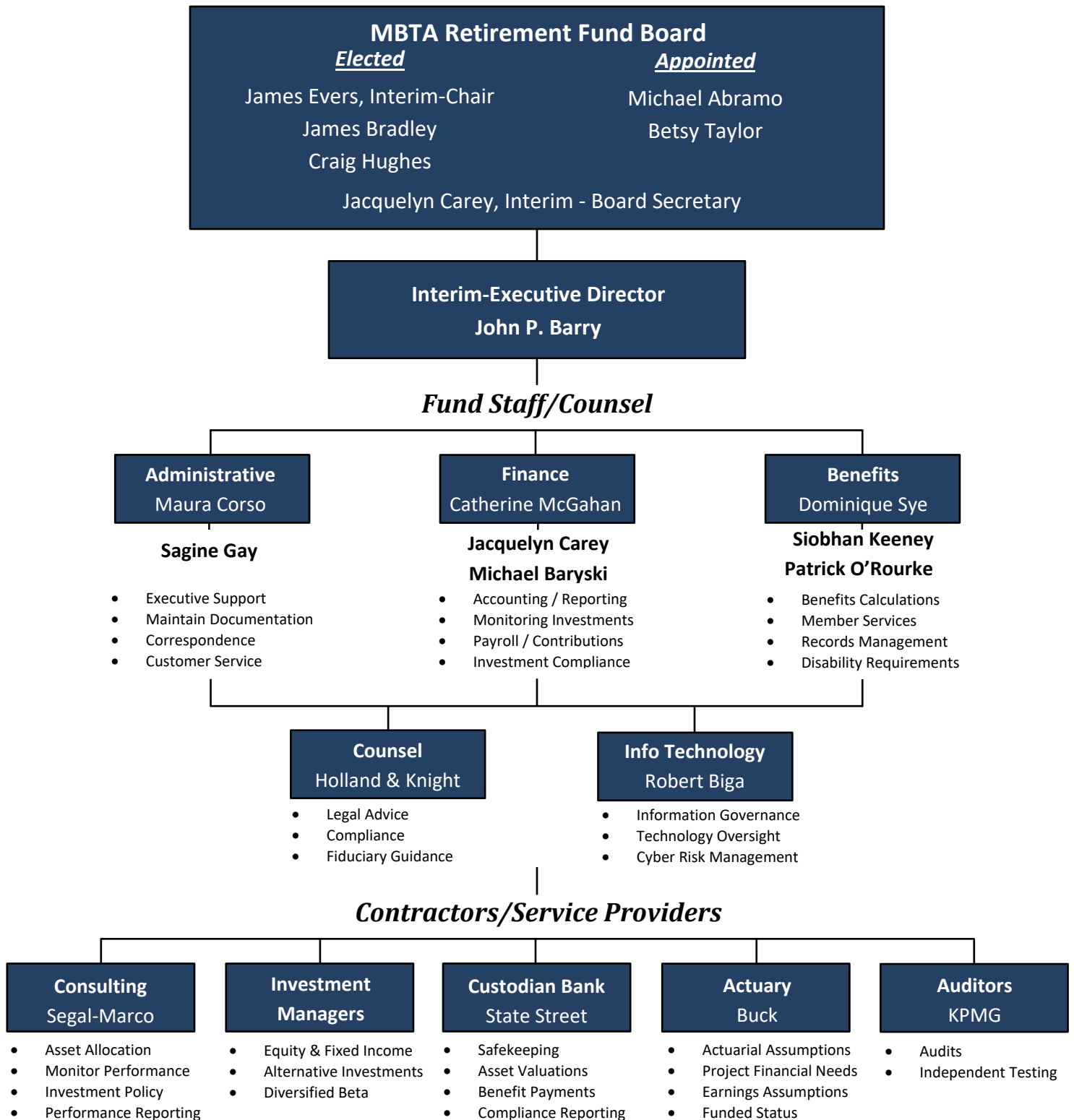
Board Member

**Betsy Taylor**

Board Member

# Organizational Chart

Effective January 1, 2020



Please refer to the Investment Section, page 102 for the Summary Schedule of Broker Commission and Fees and page 103 for the Schedule of Direct Management Fees.

## Historical MBTA Retirement Fund Board Members

| <i>Period of Service</i>      |             |           | <i>Period of Service</i>     |             |           |
|-------------------------------|-------------|-----------|------------------------------|-------------|-----------|
|                               | <u>From</u> | <u>To</u> |                              | <u>From</u> | <u>To</u> |
| (A) Harold Ulrich **          | 08/48       | 01/49     | (E) James T. Norton          | 07/80       | 10/90     |
| (E) Irving F. Murray          | 08/48       | 08/49     | (E) Paul M. Connolly         | 01/83       | 12/86     |
| (E) William A. Roche          | 08/49       | 07/56     | (A) Paul E. Means            | 05/83       | 01/84     |
| (A) Thomas A. Dunbar **       | 08/48       | 01/59     | (A) William F. Irvin **      | 05/83       | 04/91     |
| (A) Charles A. McCarron **    | 08/48       | 05/60     | (A) James E. Smith, Esq.     | 05/83       | 04/91     |
| (E) Thomas P. Dillon          | 08/48       | 03/61     | (A) Melissa A. Tillman       | 01/84       | 04/91     |
| (A) Ernest M. Flint           | 01/49       | 01/50     | (E) Anthony B. Romano **     | 12/86       | 02/92     |
| (E) Bartholomew P. Saunders   | 08/49       | 08/52     | (E) John J. Connolly **      | 10/90       | 08/94     |
| (A) Arthur V. Grimes          | 07/50       | 06/52     | (A) Domenic M. Bozzotto      | 04/91       | 02/97     |
| (A) Augustine Airola          | 06/52       | 04/53     | (A) Toye L. Brown, Ph.D.     | 04/91       | 10/93     |
| (E) James J. Casey            | 08/52       | 08/64     | (A) James A. Radley          | 04/91       | 11/92     |
| (A) Harold Ulrich             | 04/53       | 04/57     | (E) James W. Duchaney        | 02/92       | 01/93     |
| (E) Michael J. Gormley        | 07/56       | 12/63     | (A) Michael P. Hogan         | 11/92       | 12/93     |
| (A) William V. Ward **        | 08/57       | 08/64     | (E) Richard M. Murphy        | 01/93       | 08/96     |
| (A) John J. Sullivan          | 01/59       | 07/59     | (E) Edward F. Sheckleton **  | 01/93       | 12/01     |
| (A) Willis B. Downey **       | 06/59       | 08/62     | (A) Oliver C. Mitchell, Jr.  | 10/93       | 05/98     |
| (A) William E. Ryan           | 06/60       | 02/72     | (A) Albert Shaw              | 12/93       | 10/95     |
| (E) Edward S. Russell         | 03/61       | 01/62     | (E) Paul V. Buckley          | 08/94       | 04/98     |
| (E) Matthew F. Ryan           | 01/62       | 12/69     | (A) Boyce W. Slayman         | 10/95       | 03/00     |
| (A) Edward F. McLaughlin, Jr. | 08/62       | 03/70     | (E) James E. Lydon           | 10/96       | 12/01     |
| (E) Walter H. Doyle           | 12/63       | 12/69     | (A) Janice Loux**            | 10/97       | 03/15     |
| (E) Thomas F. Holland, Jr.    | 08/64       | 08/70     | (E) William A. Irvin         | 04/98       | 12/05     |
| (A) Philip Kramer **          | 08/64       | 04/68     | (A) William A. Mitchell, Jr. | 12/98       | 10/00     |
| (A) Richard D. Buck **        | 04/68       | 07/79     | (A) Joseph M. Trolia         | 08/00       | 10/08     |
| (E) John J. Sugrue            | 12/69       | 12/71     | (A) Hon. Baron H. Martin     | 11/00       | 10/04     |
| (E) Albert F. Kelley          | 12/69       | 12/75     | (E) Stephan G. MacDougall    | 01/02       | 12/10     |
| (A) Joseph C. Kelly           | 03/70       | 07/70     | (E) John P. Barry            | 01/02       | 04/06     |
| (A) John R. Launie            | 07/70       | 05/83     | (A) Jonathan R. Davis        | 10/04       | 05/15     |
| (E) Albert J. Fitzpatrick     | 08/70       | 07/80     | (E) James M. O'Connell       | 09/07       | 06/15     |
| (E) Patrick C. Quill          | 12/71       | 12/75     | (E) Michael F. Mastrocola    | 07/06       | 01/12     |
| (A) Joseph H. Elcock          | 02/72       | 07/79     | (A) Darnell L. Williams      | 01/09       | 05/15     |
| (E) John J. Sugrue            | 01/76       | 07/76     | (E) John J. Lee              | 01/11       | 12/13     |
| (E) Redmond R. Condon         | 01/76       | 02/78     | (E) James M. Evers **        | 04/12       | Present   |
| (E) Joseph D. Fleming, Jr.    | 07/76       | 12/77     | (E) James M. O'Brien         | 01/14       | 12/19     |
| (E) Donald R. Abbott          | 12/77       | 08/79     | (A) Steven Grossman          | 06/15       | 12/19     |
| (E) James J. Slattey          | 02/78       | 08/79     | (A) Betsy Taylor             | 06/15       | Present   |
| (A) Walter J. Ryan **         | 07/79       | 05/83     | (A) Michael J. Heffernan     | 06/15       | 09/17     |
| (A) Richard L. Taylor         | 07/79       | 05/83     | (E) Craig S. Hughes          | 07/15       | Present   |
| (E) George P. Adams           | 08/79       | 11/79     | (A) Steven Kadish            | 10/17       | 09/18     |
| (E) Richard J. Guiney         | 08/79       | 11/79     | (A) Michael Abramo           | 03/19       | 04/21     |
| (E) John J. Gallahue, Jr.     | 11/79       | 01/83     | (E) James Bradley            | 01/20       | Present   |
| (E) John J. O'Leary           | 03/80       | 01/93     |                              |             |           |

(E) Employee Representative (A) Authority Representative \*\* Chairperson

## Historical Executive Directors of the MBTA Retirement Fund

|                              | <i>Period of Service</i> |           |                         | <i>Period of Service</i> |           |
|------------------------------|--------------------------|-----------|-------------------------|--------------------------|-----------|
|                              | <u>From</u>              | <u>To</u> |                         | <u>From</u>              | <u>To</u> |
| John H. Moran                | 01/48                    | 11/51     | Karl E. White           | 04/02                    | 06/06     |
| Michael J. Powell            | 11/51                    | 12/82     | Michael H. Mulhern      | 07/06                    | 08/16     |
| John J. "Jack" Gallahue, Jr. | 01/83                    | 03/02     | John P. Barry - Interim | 08/16                    | Present   |

1 Prior to 1968 the Executive Director position was referred to as Treasurer

## Historical MBTA Retirement Fund Alternate Board Members

|                            | <i>Period of Service</i> |           |                                | <i>Period of Service</i> |             |
|----------------------------|--------------------------|-----------|--------------------------------|--------------------------|-------------|
|                            | <u>From</u>              | <u>To</u> |                                | <u>From</u>              | <u>To</u>   |
| (A) Joseph Gannon          | 08/48                    | 01/49     | (A) Guido R. Perera, Jr.       | 10/78                    | 7/79        |
| (A) Richard A. Sullivan    | 08/48                    | 01/49     | (A) Paul E. Means              | 7/79                     | 5/83        |
| (A) Ernie B. Myott         | 08/48                    | 08/64     | (A) John J. McCarthy           | 7/79                     | 5/83        |
| (E) Philip E. Doyle        | 08/48                    | 12/49     | (A) Guy F. DeBenedetto         | 7/79                     | 8/81        |
| (E) John C. Carey          | 08/48                    | 08/54     | (E) Frederick W. Burt III      | 12/79                    | 3/83        |
| (E) Joseph P. Fahey        | 08/48                    | 04/54     | (E) Charles E. Smyth           | 7/80                     | 10/90       |
| (A) Edward Dana            | 01/49                    | 02/51     | (E) Donald J. Quinlan          | 3/83                     | 7/85        |
| (A) Edward R. Kelly        | 01/49                    | 07/50     | (E) Anthony B. Romano          | 1/84                     | 12/86       |
| (E) Thomas Freeman         | 12/49                    | 08/52     | (A) Melba F. Hamilton          | 5/84                     | 4/91        |
| (A) Ernest M. Flint        | 07/50                    | 10/52     | (A) Judith H. Robbins          | 6/84                     | 4/91        |
| (E) Thomas F. Holland, Jr. | 08/52                    | 08/64     | (E) Stanley V. Stearns         | 7/85                     | 1/87        |
| (A) John J. Sullivan       | 10/52                    | 01/59     | (E) Albert Mastrocola          | 1/87                     | 10/97       |
| (A) Horace Schmerhorn      | 04/53                    | 04/56     | (E) Edward F. Sheckleton       | 1/87                     | 1/93        |
| (E) Edward S. Russell      | 04/54                    | 03/61     | (E) Paul V. Buckley            | 10/90                    | 8/94        |
| (E) Michael J. Gormley     | 04/54                    | 07/56     | (A) Michael P. Hogan           | 6/91                     | 11/92       |
| (A) Robert H. Ryan         | 05/56                    | 08/57     | (A) Gregory C. Flynn, Esq.     | 10/91                    | 3/92        |
| (E) Joseph P. Fahey        | 07/56                    | 01/58     | (A) Arthur D. Shea             | 11/91                    | 2/92        |
| (A) John J. Graham         | 08/57                    | 08/64     | (A) Wesley G. Wallace, Jr.     | 2/92                     | 3/94        |
| (E) Thomas J. Rush         | 01/58                    | 12/69     | (A) Esther R. Maletz, Esq.     | 3/92                     | 3/94        |
| (A) William J. Fitzsimons  | 01/59                    | 07/70     | (E) Robert F. Gosnell          | 1/93                     | 3/96        |
| (E) Richard R. Rodwell     | 03/61                    | 01/62     | (A) Carol A. Buckley           | 3/94                     | 1/96        |
| (E) Walter H. Doyle        | 01/62                    | 12/63     | (A) Francis X. McDonough       | 3/94                     | 8/96        |
| (E) Paul F. Halloran       | 12/63                    | 12/69     | (A) Clifford H. Straw          | 3/94                     | 1/96        |
| (E) Albert J. Fitzpatrick  | 08/64                    | 08/70     | (E) Robert H. Stearns          | 8/94                     | 4/98        |
| (A) Frederick J. Sheehan   | 08/64                    | 03/67     | (A) William A. Mitchell, Jr.   | 1/96                     | 12/98       |
| (A) George L. Anderson     | 08/64                    | 04/68     | (E) Daniel K. Burton           | 4/96                     | 9/96        |
| (A) Vincent M. Banks       | 03/67                    | 01/74     | (A) Sharna A. Small-Borsellino | 4/96                     | 5/00        |
| (A) Forrest I. Neal, Jr.   | 04/68                    | 01/78     | (E) Francis X. Madden          | 10/96                    | 1/99        |
| (E) Patrick C. Quill       | 12/69                    | 12/71     | (E) James M. O'Connell         | 4/98                     | 12/05       |
| (E) Dennis F. Guiney       | 12/69                    | 12/73     | (A) Philip Puccia              | 2/97                     | 3/99        |
| (A) Joseph A. Emerson      | 07/70                    | 01/74     | (E) James D. Wyllie            | 11/97                    | 12/98       |
| (E) Charles H. Ward        | 08/70                    | 02/77     | (E) Daniel K. Burton           | 1/99                     | 1/00        |
| (E) Paul F. Sullivan       | 12/71                    | 12/73     | (A) Willie J. Davis            | 12/98                    | 7/00        |
| (E) Charles F. Cole, Jr.   | 12/73                    | 12/75     | (A) Michael Mulhern            | 4/99                     | 4/02        |
| (E) Edward J. Doherty      | 12/73                    | 12/75     | (E) Torrie Austin              | 5/99                     | 4/00        |
| (A) Daniel F. Dullea       | 01/74                    | 02/76     | (E) James D. Wyllie            | 1/99                     | 11/00       |
| (A) Francis A. Sullivan    | 01/74                    | 07/79     | (E) James M. Evers             | 5/00                     | 9/00        |
| (E) Joseph A. Dineen       | 01/76                    | 12/77     | (A) Alice A. Fernandes         | 5/00                     | 12/06       |
| (E) Joseph D. Fleming, Jr. | 01/76                    | 07/76     | (A) Jonathan R. Davis          | 8/00                     | 10/04       |
| (E) James T. Norton        | 03/77                    | 07/80     | (E) Stephan G. MacDougall      | 10/00                    | 11/00       |
| (E) Redmond R. Condon      | 02/78                    | 01/84     | (E) James M. Evers             | 11/00                    | 12/01       |
| (E) George P. Adams        | 02/78                    | 08/79     | (E) James Knox                 | 8/01                     | 12/01       |
| (A) Troy Y. Murray         | 10/78                    | 07/79     |                                |                          | (Continued) |

**MBTA RETIREMENT FUND*****Introductory Section***

|                              |       |       |                          |       |         |
|------------------------------|-------|-------|--------------------------|-------|---------|
| (E) James Crowley            | 01/02 | 03/03 | (E) Walter J. Novicki    | 02/08 | 01/10   |
| (E) Roy L. Chance            | 02/02 | 12/02 | (E) Lawrence C. Kelly    | 02/10 | 04/11   |
| (A) Wesley G. Wallace, Jr.   | 05/02 | 10/06 | (E) Walter J. Novicki    | 01/11 | 12/11   |
| (E) Robert L. Callahan       | 03/03 | 02/06 | (E) James M. O'Brien     | 05/11 | 12/13   |
| (E) M. John Burr             | 03/03 | 12/03 | (E) John A. Clancy       | 01/12 | 12/13   |
| (E) John S. Murray           | 01/04 | 02/05 | (A) Gerald K. Kelley     | 06/12 | Present |
| (A) Brian J. Donohue         | 10/04 | 05/09 | (E) Margaret C. LaPaglia | 01/14 | 02/18   |
| (E) James M. O'Brien         | 03/05 | 12/10 | (E) Lawrence C. Kelly    | 01/14 | 12/16   |
| (E) Michael F. Mastrocola    | 02/06 | 06/06 | (E) Timothy P. Long      | 07/15 | Present |
| (E) Daniel K. Burton         | 07/06 | 09/07 | (E) John D. Hunt         | 01/17 | 12/19   |
| (A) Jeanne M. Morrison       | 10/06 | 03/15 | (E) Patrick Hogan        | 04/18 | Present |
| (E) John M. Burr             | 09/07 | 02/08 | (A) Paul Brandley        | 03/18 | 05/19   |
| (A) William A. Mitchell, Jr. | 03/07 | 01/12 | (A) Mary Ann O'Hara      | 12/19 | Present |
| (E) Brian P. Cummins         | 08/07 | 06/15 |                          |       |         |

(E) Employee Representative (A) Authority Representative

**MBTA Retirement Fund Professional Services**

**KPMG LLP**

Audit services

**Segal Marco Advisors**

Investment consulting services

**Buck Global, LLC**

Actuarial services

**Holland & Knight**

Legal Counsel

**State Street Bank & Trust Company**

Custodian

# **FINANCIAL SECTION**





KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Retirement Board and Participants  
Massachusetts Bay Transportation Authority Retirement Fund:

We have audited the accompanying financial statements of the Massachusetts Bay Transportation Authority Retirement Fund (the Fund), as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements for the years then ended as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Massachusetts Bay Transportation Authority Retirement Fund as of December 31, 2020 and 2019 and the changes in fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Other Matters***Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Introductory, Other Supplementary Information, Investment, Actuarial, Statistical and the Frequently Asked Questions sections identified in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial, Statistical and the Frequently Asked Questions sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**KPMG LLP**

Boston, Massachusetts  
June 22, 2021

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Required Supplementary Information  
Management's Discussion and Analysis  
December 31, 2020 and 2019  
(Unaudited)

This section presents Management's Discussion and Analysis (MD&A) of the Massachusetts Bay Transportation Authority Retirement Fund's (the Fund or MBTARF) financial activity and performance as of and for the years ended December 31, 2020 and 2019. The MD&A is unaudited and is intended to serve as an introduction to the Fund's basic financial statements, as well as to offer readers of the Fund's financial statements a narrative view and analysis of MBTARF's financial activities.

**Financial Reporting Structure**

The financial statements include the statements of fiduciary net position and changes in fiduciary net position. They present the financial position of the Fund as of December 31, 2020 and 2019 and its financial activities for the years then ended. The notes to the financial statements provide further information that is essential to a full understanding of the financial statements. The notes describe the significant accounting policies of the Fund and provide detailed disclosures on certain account balances. The required supplementary information includes the schedules of changes in net pension liability and related ratios, investment returns, contributions and related notes as prescribed by the Governmental Accounting Standards Board (GASB).

The Fund's financial statements are prepared on an accrual basis of accounting. This method of accounting requires recognizing and recording financial transactions when they occur and not just in conjunction with the inflows and outflows of cash.

The total assets managed by the Fund are held in the trust for the payment of pension and related benefits to its members. The Fund's Board of Trustees, in its fiduciary capacity, with assistance from its consultants established the Fund's investment policies and oversees their implementation.

**Financial Highlights***Year ended December 31, 2020*

The net position of the Fund increased \$155.8 million, or 9.7%, from \$1,614.1 million as of December 31, 2019 to \$1,769.9 million as of December 31, 2020.,

Net investment income decreased \$25 million, or 9.9%, from \$253.7 million for the year ended December 31, 2019 to \$228.6 million for the year ended December 31, 2020. The Fund had a 15.26% rate of return for the year ended December 2020 compared to a 18.4% rate of return for the year ended December 31, 2019. The returns identified in the MD&A are gross of fees with the exception of hedge funds, which are net of fees.

The total contributions received during the year ended December 31, 2020 were \$157.1 million compared to total contributions received during the year ended December 31, 2019 of \$139.6 million.

Employer contributions during the year ended December 31, 2020 increased \$13 million or 12.6% to \$116.3 million from \$103.3 million during the year ended December 31, 2019.

Member contributions were \$40.8 million during the year ended December 2020, an increase of \$4.4 million or 12.1% over year ended December 31, 2019 member contributions of \$36.4 million.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND****Required Supplementary Information  
Management's Discussion and Analysis  
December 31, 2020 and 2019  
(Unaudited)**

Benefits paid during the year ended December 31, 2020 were \$221.4 million an increase of \$0.8 million, or 0.4%, over the benefits paid during the year ended December 31, 2019 of \$220.6 million. This increase is not as significant in comparison from 2018 to 2019. The increase in benefits is due to rising final average compensation largely offset by the mortality rates during the pandemic and the ending of the retirement incentives by the Authority.

*Year ended December 31, 2019*

The net position of the Fund increased \$164.4 million, or 11.34%, from \$1,449.7 million as of December 31, 2018 to \$1,614.1 million as of December 31, 2019.

Net investment income increased \$305.8 million, or 587%, from (\$52.1) million for the year ended December 31, 2018 to \$253.7 million for the year ended December 31, 2019. The Fund had a 18.4% rate of return for the year ended December 2019 compared to a (3.08)% rate of return for the year ended December 31, 2018. The returns identified in the MD&A are gross of fees with the exception of hedge funds, which are net of fees.

The total contributions received during the year ended December 31, 2019 were \$139.6 million compared to total contributions received during the year ended December 31, 2018 of \$124.6 million.

Employer contributions during the year ended December 31, 2019 increased \$11.3 million or 12.3% to \$103.3 million from \$92 million during the year ended December 31, 2018.

Member contributions were \$36.4 million during the year ended December 2019, an increase of \$3.8 million or 11.7% over year ended December 31, 2018 member contributions of \$32.6 million.

Benefits paid during the year ended December 31, 2019 were \$220.6 million an increase of \$2.2 million, or 1%, over the benefits paid during the year ended December 31, 2018 of \$218.4 million. This increase is primarily due to the rise in number of retirees and lengthening life span.

*Year ended December 31, 2018*

The net position of the Fund decreased \$153.5 million, or (9.57)%, from \$1,603.2 million as of December 31, 2017 to \$1,449.7 million as of December 31, 2018.

Net investment income decreased \$273.8 million, or (123.5)%, from \$221.7 million for the year ended December 31, 2017 to (\$52.1) million for the year ended December 31, 2018. The Fund had a (3.08)% rate of return for the year ended December 2018 compared to a 15.80% rate of return for the year ended December 31, 2017. The returns identified in the MD&A are gross of fees with the exception of hedge funds, which are net of fees.

The total contributions received during the year ended December 31, 2018 were \$124.6 million compared to total contributions received during the year ended December 31, 2017 of \$113.2 million.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Required Supplementary Information  
Management's Discussion and Analysis

December 31, 2020 and 2019

(Unaudited)

Employer contributions during the year ended December 31, 2018 increased \$8.6 million or 10.3% to \$92 million from \$83.4 million during the year ended December 31, 2017.

Member contributions were \$32.6 million during the year ended December 2018, an increase of \$2.8 million or 9.4% over year ended December 31, 2017 member contributions of \$29.8 million.

Benefits paid during the year ended December 31, 2018 were \$218.4 million an increase of \$9.4 million, or 4.5%, over the benefits paid during the year ended December 31, 2017 of \$209.0 million. This increase is primarily due to the increased number of retirees and lengthening life span.

**Financial Analysis**

The following schedules report the condensed comparative fiduciary net position and activities for the Fund as of and for the years ended December 31.

**Condensed Comparative Fiduciary Net Position**

(Dollar values expressed in millions)

|   | <b>December 31</b> |                |                |
|---|--------------------|----------------|----------------|
|   | <b>2020</b>        | <b>2019</b>    | <b>2018</b>    |
| Cash  | \$ 2.0             | 4.2            | 4.2            |
| Receivables   | 10.2               | 7.7            | 6.2            |
| Investments   | 1,768.1            | 1,608.9        | 1,445.8        |
| Cash collateral on securities lending                 | 26.9               | 22.5           | 49.9           |
| <b>Total assets</b>                                   | <b>1,807.2</b>     | <b>1,643.3</b> | <b>1,506.1</b> |
| Cash collateral on securities lending                 | 26.9               | 22.5           | 49.9           |
| Accounts payable and accrued expenses                 | 4.7                | 5.1            | 5.2            |
| Payable for investments purchased                     | 5.7                | 1.6            | 1.3            |
| <b>Total liabilities</b>                              | <b>37.3</b>        | <b>29.2</b>    | <b>56.4</b>    |
| <b>Net position – restricted for pension benefits</b> | <b>\$ 1,769.9</b>  | <b>1,614.1</b> | <b>1,449.7</b> |

Total assets at fair value were \$1,807.2 million as of December 31, 2020, an increase of \$163.9 million, or 10.0%, over the year ended December 31, 2019 and were \$1,643.3 million as of December 31, 2019, an increase of \$137.2 million, or 9.1%, over the year ended December 31, 2018. At December 31 2020, investments at fair value were \$1,768.1 million, an increase of \$159.2 million, or 9.9%, over the year ended December 31, 2019, which were valued at \$1,608.9 million, an increase of \$163.1 million, or 11.3%, over the year ended December 31, 2018. This investment increase in 2020 is due to solid market returns in all asset classes.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

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(Unaudited)

Growth companies performed extremely well and fixed income returns were positive considering the historically low interest rates. The Federal Reserve lowered the Federal Funds interest rate twice in March.

As of December 31, 2020, cash collateral on securities lending increased by \$4.4 million or 19.6%, over the year ended December 31, 2019. The cash collateral on securities lending decreased by \$27.4 million or (54.9)% between December 31, 2018 and December 31, 2019. Receivables increased by \$2.5 million, or 32.5%, over the prior calendar year. Between December 31, 2018 and December 31, 2019 receivables increased by \$1.5 million, or 24.2%.

Total liabilities as of December 31, 2020 increased by \$8.1 million, or 27.7% over the prior year, and decreased by \$27.2 million, or 48.2% during calendar year 2019. The cash collateral on securities lending increased by \$4.4 million, or 19.6%, in calendar year 2020 and decreased by \$27.4 million, or (54.9)%, in calendar year 2019. From December 31, 2019 through December 31, 2020, payable for investment purchased increased by \$4.1 million, or 256%. From December 31, 2018 through December 31, 2019, payable for investment purchased increased by \$0.3 million, or 23.1%.

**Condensed Comparative Statement of Changes in Fiduciary Net Position**

(Dollar values expressed in millions)

|   | <b>December 31</b> |              |                |
|---|--------------------|--------------|----------------|
|   | <b>2020</b>        | <b>2019</b>  | <b>2018</b>    |
| Additions:                              |                    |              |                |
| Employer contributions                  | \$ 116.3           | 103.2        | 92.0           |
| Member contributions                    | 40.8               | 36.4         | 32.6           |
| Income from investments                 | 228.6              | 253.7        | (52.1)         |
| Total additions                         | <u>385.7</u>       | <u>393.3</u> | <u>72.5</u>    |
| Deductions:                             |                    |              |                |
| Retirement benefits                     | 221.4              | 220.6        | 218.4          |
| Refunds of contributions                | 4.0                | 3.3          | 3.3            |
| Administrative expense                  | 4.5                | 5.0          | 4.3            |
| Total deductions                        | <u>229.9</u>       | <u>228.9</u> | <u>226.0</u>   |
| Total changes in fiduciary net position | \$ <u>155.8</u>    | <u>164.4</u> | <u>(153.5)</u> |

*Additions to Plan Fiduciary Position*

For the calendar year ended December 31, 2020, employer contributions increased by \$13.1 million and member contributions increased by \$4.4 million. For the calendar year ended December 31, 2019, employer contributions

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND****Required Supplementary Information  
Management's Discussion and Analysis**

December 31, 2020 and 2019

(Unaudited)

increased by \$11.2 million and member contributions increased by \$3.8 million. Effective July 1, 2020, the employer's contribution rate changed from 25.1261% to 26.6561% and the member contribution rate changed from 8.8239% to 9.3339%, resulting in a 6.1% and 5.8% increase, respectively. Effective July 1, 2019, the employer's contribution rate changed from 22.6811% to 25.1261% and the member contribution rate changed from 8.0089% to 8.8239%, resulting in a 10.8% and 10.2% increase, respectively.

Contributions are required to provide benefits and meet administrative expenses and are made jointly by the Massachusetts Bay Transportation Authority (the Authority) and members. The member contribution percentage is negotiated periodically as part of the collective bargaining agreement. There was a net investment gain in 2020 of \$228.6 million compared to a \$253.7 million net investment gain in 2019 and \$52.1 million net investment loss in 2018. This gain is a result of continued increase in the fair value of the investment portfolio from solid markets performance.

***Deductions from Fiduciary Net Position***

Benefits paid increased by \$0.8 million and \$2.2 million, or 0.36% and 1%, over the years ended 2020 and 2019, respectively. These increases are primarily due to the rising final average compensation and lengthening life span. Administrative expenses decreased from \$5.0 million to \$4.5 million, a decrease of \$0.5 million or 10% over year 2019 and increased \$0.7 million, or 16.3% over year 2018.

**Net Pension Liability (NPL)**

The Fund retains an independent actuarial firm, Buck Global, LLC, to conduct annual actuarial valuations to monitor net pension liability.

As of December 31, 2020, and 2019, the fiduciary net position as a percentage of the total pension liability was 57.93% and 53.43%, respectively.

**Investment Performance 2020**

The Fund began the calendar year 2020 with a net position of \$1,614.1 million and ended the calendar year with a net position of \$1,769.9 million, representing a 9.7% increase. The Fund invests strategically to achieve the actuarial rate of return, while controlling risk through diversification of asset class exposure. The primary determinant of long-term investment performance is the strategic asset allocation policy.

Domestic equity 31.2%, international equity 15.2%, fixed income investments 23.2%, and cash equivalents 3.8% comprise approximately 73.4% of invested assets as of December 31, 2020. The remaining 26.6% of assets are invested in real estate 7.9%, and alternative investments 18.7%, which include private equity, absolute return, and diversified beta. These assets are expected to earn enhanced returns and manage risk through further diversification.

Investment performance results are measured by the relationship of the Fund's portfolio returns for equity and fixed income investment against widely accepted market indices. For the calendar year ended December 31, 2020, the MBTA Retirement Fund's total fund return was 15.3% compared to 18.4% for the calendar year ended

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Required Supplementary Information

Management's Discussion and Analysis

December 31, 2020 and 2019

(Unaudited)

December 31, 2019. The 2020 increase in return is attributed to the continued positive gains experienced in all asset classes. Active management, especially in the small growth and emerging markets area performed extremely well.

The domestic large cap equity returned 17.3% compared to the S&P 500 Index of 18.4%. The domestic small cap equity returned 23.2% compared to the Russell 2000 Growth Index of 34.6% and the Russell 2000 Value Index of 4.6%. The global equity and emerging markets returned 49.7% compared to MSCI All Country World Index of 16.3%. The international equity returned 11.3% compared to the MSCI EAFE Index of 7.8%. Fixed Income returned 7.7% compared to the BC Aggregate of 7.5%.

The total fund performance of 15.3% for calendar year 2020 outperformed by 470 basis points, the total fund custom index (a blended composition of major market indices in proportion to the Fund's asset allocation), which returned 10.6%.

Additionally, for the year ended December 31, 2020, the real estate portfolio returned 1.2% compared to the NCREIF Property Index of 1.6%. The hedge fund portfolio returned 4.8% compared to the CSFB/Tremont Hedge Fund Index of 6.4%. The opportunistic portfolio returned 11.5% compared to Bank of America/Merrill Lynch High Yield Benchmark return of 6.2%. The private equity active portfolio returned 31.1% and the legacy private equity portfolio returned 17.0% compared to State Street's Customized Benchmark return of 12.3%. State Street Customized Benchmark consists of 36% buyout, 9% venture, 37% debt and 18% fund of funds. Diversified Beta returned 12.3% compared to the 60% MSCI World Eq / 40% Barclays Aggregate Bond return of 13.3%. The 91 Treasury Bill Plus 300 Basis Points returned 3.7% for the year ended December 31, 2020.

**Investment Performance 2019**

The Fund began the calendar year 2019 with a net position of \$1,449.7 million and ended the calendar year with a net position of \$1,614.1 million, representing a 11.3% increase. The Fund invests strategically to achieve the actuarial rate of return, while controlling risk through diversification of asset class exposure. The primary determinant of long-term investment performance is the strategic asset allocation policy.

Domestic equity (31.5%), international equity (13.2%), fixed income investments (24.2%), and cash equivalents (4.0%) comprise approximately (72.9%) of invested assets as of December 31, 2019. The remaining (27.1%) of assets are invested in real estate (8.8%), and alternative investments (18.3%), which include private equity, absolute return, and diversified beta. These assets are expected to earn enhanced returns and manage risk through further diversification.

Investment performance results are measured by the relationship of the Fund's portfolio returns for equity and fixed income investment against widely accepted market indices. For the calendar year ended December 31, 2019, the MBTA Retirement Fund's total fund return was 18.4% compared to (3.08)% for the calendar year ended December 31, 2018. The 2019 increase in return is attributed to the positive gains experienced in all asset classes. The S&P 500, Dow Jones Industrial Average and the NASDAQ all had impressive annual returns.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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## Management's Discussion and Analysis

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The domestic large cap equity returned 30.6% compared to the S&P 500 Index of 31.5%. The domestic small cap equity returned 29.2% compared to the Russell 2000 Growth Index of 28.5% and the Russell 2000 Value Index of 22.4%. The global equity and emerging markets returned 32.0% compared to MSCI All Country World Index of 26.6%. The international equity returned 23.0% compared to the MSCI EAFE Index of 22.0%. Fixed Income returned 7.1% compared to the BC Aggregate of 8.7%.

The total fund performance of 18.4% for calendar year 2019 outperformed by 210 basis points, the total fund custom index (a blended composition of major market indices in proportion to the Fund's asset allocation), which returned 16.3%.

Additionally, for the year ended December 31, 2019, the real estate portfolio returned 6.1% compared to the NCREIF Property Index of 6.4%. The hedge fund portfolio returned 15.1% compared to the CSFB/Tremont Hedge Fund Index of 9.3%. The opportunistic portfolio returned 16.3% compared to Bank of America/Merrill Lynch High Yield Benchmark return of 14.4%. The private equity active portfolio returned 13.7% and the legacy private equity portfolio returned 16.3% compared to State Street's Customized Benchmark return of 12.4%. State Street Customized Benchmark consists of 36% buyout, 9% venture, 37% debt and 18% fund of funds. Diversified Beta returned 18.7% compared to the 60% MSCI World Eq / 40% Barclays Aggregate Bond return of 20.0%. The 91 Treasury Bill Plus 300 Basis Points returned 5.3% for the year ended December 31, 2019.

**Other Information**

As part of a Plan of Reorganization approved on March 27, 2014 in *In re: Fletcher Int'l, Ltd.*, No. 12-12796 (Bankr. S.D.N.Y.) (the Fletcher Bankruptcy), the Fund agreed with the Bankruptcy Trustee, Richard Davis, to pool claims against Alphonse "Buddy" Fletcher, Fletcher related entities, current and former officers, directors and insiders, and various third-party professionals for recovery of the Fund's investment in Fletcher Fixed Income Alpha Fund (Alpha). A Judgement was obtained against Buddy Fletcher personally, which appears to be uncollectible. Confidential settlements were also reached by the Trustee with other Fletcher related defendants. See, e.g., *MBTARF, et al. v. Citco Fund Services (Cayman Islands), Ltd., et al.*, Case No. 651446/2015 (New York Supreme Court).

Following the Trustee's report that the bankruptcy estate had been wound down and distribution of substantially all estate funds and moneys recovered on behalf of the estate had occurred, the Court entered its *Final Decree Pursuant to 11 U.S.C. Section 350 and Fed. R. Bankr. P. 2033 Closing the Chapter 11 Case*, and on March 21, 2019 the Fletcher Bankruptcy was officially closed. In December 2019, the Joint Voluntary Liquidators of Alpha in the Cayman Islands issued their final report and made their final distribution and repayment to the Fund in the sum of \$1,958,840.30. The Fund's only remaining interest in any Fletcher related entity is a distributed share from Alpha of the Cayman liquidation of Fletcher Income Arbitrage, Ltd., which will reportedly be fully and finally dissolved in 2021. More complete reporting about the Fund's investment in Fletcher is found in prior Fund ACFR's. See, e.g., Fund's 2013 ACFR at p. 19.

The Fund is also party to a Pooling and Cooperation Agreement with other investors in Weston Capital Partners Fund II (PII) and investors in Wimbledon Financing Master Fund Ltd (WFF). Both PII and WFF are funds previously managed by Weston Capital Asset Management LLC (Weston) and are now in liquidation.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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Weston and certain of its principals were the subject of an SEC consensual civil judgement in Florida on June 23, 2014 for an investment unrelated to PII. Civil litigation involving Weston and various related parties including insiders and investors is ongoing but winding down. A turnover proceeding filed by other Weston investors (Class TT) in New York has settled. *The Wimbledon Fund, SPC (Class TT) v. Weston Capital Partners Master Fund II, Ltd, et al.*, Supreme Court New York, Index No. 160576/2017. Criminal proceedings involving Weston insiders resulted in guilty pleas and jury verdicts. See, e.g., *USA v. Bergstein, et.al*, No. 1:16-cr-746 (S.D.N.Y.) and *USA v. Galanis, et. al.*, No. 1:16-cr-371 (S.D.N.Y.).

For historical background on the Fund's investments in PII and White Oak Global Advisors, a PII investment assigned in-kind to the Fund, please see the Fund's 2013 ACFR at p. 19 and the Fund's 2015 ACFR at p. 31.

The Fund's investments in Alpha, Weston and White Oak were all written down in full in prior fiscal years. The Alpha, Weston and White Oak funds are all in liquidations in the Cayman Islands which are expected to conclude in 2021.

The Fund is reporting on the pending litigation, liquidations and recovery efforts because of limited activity anticipated in those cases this coming fiscal year. Prospects for future recoveries are uncertain.

**Contacting the MBTA Retirement Fund**

This financial report is designed to provide a general overview of the Fund's investment results and financial condition of the Fund for the years ended December 31, 2020 and 2019. Please contact the MBTA Retirement Fund Office by emailing [invest@mbtarf.com](mailto:invest@mbtarf.com) or by phone to 617-316-3800 for additional financial information or questions related to this report.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Statements of Fiduciary Net Position  
December 31, 2020 and 2019

|   | <u>2020</u>             | <u>2019</u>          |
|---|-------------------------|----------------------|
| Assets:   |                         |                      |
| Investments, at fair value:   |                         |                      |
| Domestic:   |                         |                      |
| Cash and cash equivalents   | \$ 67,533,335           | 62,733,184           |
| Fixed income  | 409,694,097             | 387,336,073          |
| Common stock and equity funds   | 551,291,211             | 507,511,655          |
| Real estate funds   | 140,448,890             | 142,151,317          |
| Alternative investments and hedge funds                                 | 329,445,081             | 294,002,864          |
|   | <u>1,498,412,614</u>    | <u>1,393,735,093</u> |
| International:  |                         |                      |
| Cash and cash equivalents   | 51,453                  | 1,032,360            |
| Fixed income  | 415,661                 | 2,050,088            |
| Common stock and equity funds   | 269,248,015             | 212,124,717          |
|   | <u>269,715,129</u>      | <u>215,207,165</u>   |
| Total investments   | 1,768,127,743           | 1,608,942,258        |
| Cash and cash equivalents   | 1,978,002               | 4,249,801            |
| Contribution receivable from Massachusetts Bay Transportation Authority | 5,729,548               | 4,310,996            |
| Cash collateral on securities lending, invested                         | 26,882,055              | 22,457,542           |
| Receivable for investments sold   | 4,511,160               | 3,405,040            |
| Total assets  | <u>1,807,228,508</u>    | <u>1,643,365,637</u> |
| Liabilities:  |                         |                      |
| Cash collateral on securities lending, due to borrowers                 | 26,882,055              | 22,457,542           |
| Accounts payable and accrued expenses                                   | 4,653,187               | 5,123,495            |
| Payable for investments purchased                                       | 5,751,990               | 1,640,387            |
| Total liabilities   | <u>37,287,232</u>       | <u>29,221,424</u>    |
| Net position – restricted for pension benefits                          | <u>\$ 1,769,941,276</u> | <u>1,614,144,213</u> |

See accompanying notes to financial statements.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Statements of Changes in Fiduciary Net Position  
For the years ended December 31, 2020 and 2019

|  | <u>2020</u>             | <u>2019</u>          |
|--|-------------------------|----------------------|
| Additions:   |                         |                      |
| Contributions by Massachusetts Bay Transportation Authority  | \$ 116,285,928          | 103,263,763          |
| Contributions by members                                     | 40,774,027              | 36,366,108           |
| Total contributions  | <u>157,059,955</u>      | <u>139,629,871</u>   |
| Investment income:   |                         |                      |
| Income from investments                                      | 21,107,184              | 38,510,760           |
| Less investment expenses, other than from securities lending | (5,905,655)             | (6,010,803)          |
| Net appreciation in fair value of investments                | 213,386,051             | 221,079,004          |
| Net investment gain  | <u>228,587,580</u>      | <u>253,578,961</u>   |
| Securities lending activity:                                 |                         |                      |
| Securities lending income                                    | 250,755                 | 1,054,040            |
| Less borrower rebates and fees                               | (167,512)               | (902,011)            |
| Net income from securities lending activities                | <u>83,243</u>           | <u>152,029</u>       |
| Total net investment income                                  | <u>228,670,823</u>      | <u>253,730,990</u>   |
| Total additions  | <u>385,730,778</u>      | <u>393,360,861</u>   |
| Deductions:  |                         |                      |
| Retirement benefits  | 221,447,685             | 220,553,916          |
| Refunds of members' contributions                            | 3,974,655               | 3,311,057            |
| Administrative expenses                                      | 4,511,375               | 5,046,775            |
| Total deductions   | <u>229,933,715</u>      | <u>228,911,748</u>   |
| Change in fiduciary net position                             | 155,797,063             | 164,449,113          |
| Net position restricted for pension benefits:                |                         |                      |
| Beginning of year  | 1,614,144,213           | 1,449,695,100        |
| End of year  | <u>\$ 1,769,941,276</u> | <u>1,614,144,213</u> |

See accompanying notes to financial statements.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2020 and 2019

**(1) Description of the Fund**

**(a) General**

The following description of the Massachusetts Bay Transportation Authority Retirement Fund (the Fund), a single employer defined benefit pension plan, provides only general information. Employees (members) should refer to the Pension Agreement for a more complete description of the Fund's provisions.

The Fund was established on January 1, 1948, under an agreement and declaration of trust (restated in October 28, 1980) by and among the Massachusetts Bay Transportation Authority (the Authority), Local 589, Amalgamated Transit Union, Boston Carmen's Union, and AFL CIO (collectively, the Union). The Fund was established as a contributory defined benefit retirement plan in accordance with the Pension Agreement, effective July 1, 1970, adopted by the Authority and the Union for the purpose of receiving contributions and providing pension benefits for its members and qualified beneficiaries.

The general administration and responsibility for the operation of the Fund are vested in a seven-member Retirement Board. The Board consists of three members appointed by the Authority (at least one of whom must be a member of the Authority's Board of Directors), two members appointed by the Boston Carmen's Union, Local Union 589 of the Amalgamated Transit Union, AFL CIO, one member elected by vote conducted by the Authority for a term of three years by members of the Fund who are not members of the Boston Carmen's Union, Local Union 589 of the Amalgamated Transit Union, AFL CIO, and one member, who has no vote and is known as the honorary member, who is elected, for such period as the Retirement Board may determine, by the other six members of the Retirement Board.

**(b) Membership**

The Fund covers all employees of the Authority except the MBTA Police, who are covered separately, and certain executives who elect coverage under an alternate plan. At December 31, 2020 and 2019, Fund membership consisted of:

|   | <u>2020</u>      | <u>2019</u>   |
|---|------------------|---------------|
| Retired members or beneficiaries currently receiving benefits | \$ 6,710 (1)     | 6,813 (2)     |
| Active members  | 5,674            | 5,507         |
| Active members not presently earning service credit           | <u>342</u>       | <u>390</u>    |
| Total membership  | <u>\$ 12,726</u> | <u>12,710</u> |

(1) Year 2020 includes 6,576 retirees and beneficiaries and 134 individuals receiving payments under Qualified Domestic Relation Orders (QDROs)

(2) Year 2019 includes 6,678 retirees and beneficiaries and 135 individuals receiving payments under Qualified Domestic Relation Orders (QDROs)

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

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**(c) Funding Policy**

Contributions required to provide benefits and meet administrative expenses are made jointly by the Authority and members. The member contribution rate was increased from 8.8239% to 9.3339% effective July 1, 2020 of pretax compensation. The Authority contribution rate was increased from 25.1261% to 26.6561% effective July 1, 2020. As of July 1, 2021, member contribution and Authority contribution rates remain the same at 9.3339% and 26.6561%, respectively. These contribution rates were calculated based on the most recent actuarial valuation of plan benefits and the Memorandum of Understanding with the Authority. The terms of the Fund's obligations are part of the Pension Agreement contained in the annual report of the Fund. Only parties to the Pension Agreement can amend the terms. The contributions by members and the Authority have been developed to provide normal contributions, interest on the unfunded accrued liability, and administrative expenses.

**(d) Benefits**

The Fund provides for retirement, disability and death benefits in accordance with the Pension Agreement, as amended.

A summary of benefits is as follows:

**i. Normal Retirement Allowance****Condition for Allowance**

Any member may retire at age 65. A member may remain in service after the stated retirement date.

**Amount of Allowance**

The normal retirement allowance equals 2.46% of 3-year average annual compensation multiplied by the years of service, such allowance not to exceed 75% of such average annual compensation.

**ii. Early Normal Retirement Allowance****Condition for Allowance**

Any member hired prior December 6, 2012 and has completed at least 23 years of service may retire on an early normal retirement allowance.

Any member hired on or after December 6, 2012, has attained age 55 and completed at least 25 years of service may retire on an early normal retirement allowance.

**Amount of Allowance**

The early normal retirement allowance is computed in the same manner as a normal retirement allowance on the basis of the compensation and service to the time of retirement.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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*iii. Early Reduced Retirement Allowance**Condition for Allowance*

A member who has attained age 55 and has completed at least 20 years of service may be retired on an early reduced retirement allowance.

*Amount of Allowance*

The early reduced retirement allowance is an immediate allowance, commencing at the date of retirement, and is computed in the same manner as a normal retirement allowance on the basis of compensation and service to the time of early retirement, but reduced by 1/2 of 1% for each month of retirement prior to normal retirement date.

*iv. Disability Retirement Allowance**Condition for Allowance*

Any member who has completed 4 years of service in case of disablement due to an occupational accident or sickness, or who has completed 6 years of service in case of disablement due to any other cause, and who has become totally and permanently incapacitated, mentally or physically, for the further performance of duty may be retired.

*Amount of Allowance*

Upon disability retirement, a member receives an allowance commencing immediately, which is computed as a normal retirement allowance on the basis of the compensation and service to the time of disability retirement and is not less than 15% of the member's 3-year average annual compensation.

*v. Vested Retirement Allowance**Condition for Allowance*

Any member who has completed 10 years of service and who is not eligible for a retirement allowance is eligible for a vested retirement allowance, in lieu of a refund of his/her contributions with interest, in the event his/her employment terminates for reasons other than voluntary quit or discharge for cause.

*Amount of Allowance*

The vested retirement allowance is a deferred allowance commencing on the member's normal retirement date and equal to a percentage, not exceeding 100%, of the amount computed as a normal retirement allowance on the basis of the compensation and service to the time of termination; the applicable percentage is 5% multiplied by the number of years of creditable service, not in excess of 20, at the time of termination.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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December 31, 2020 and 2019

*vi. Survivor Benefit**Condition for Benefit*

Upon the death of a member who has completed 10 years of service and who is survived by a spouse and/or dependent children designated to receive the deceased member's contributions with interest, a benefit may be elected by such survivor in lieu of the payment of the contributions with interest.

*Amount of Benefit*

If the deceased member had completed at least 10 but fewer than 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his/her death and elected a 50% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

If the deceased member had completed at least 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his/her death and elected a 100% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

*vii. Accidental Death Benefit**Condition for Benefit*

Upon the death of a member in service whose death results solely from an injury or injuries sustained in the performance of duty, and who is survived by a spouse designated to receive the deceased member's contribution with interest, an allowance shall be payable to said spouse.

*Amount of Benefit*

The accidental death benefit, payable for life, is equal to the amount which would have become payable to the member if the member had retired as of the date of his/her death on a disability retirement allowance. If there should be insufficient creditable service, the surviving spouse receives the minimum allowance available under the disability retirement provision.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

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**(e) Fund Termination**

In the event of termination of the Fund, all of the assets of the Fund shall be used for the benefit of members and retired members or their beneficiaries, and for no other purpose. Each member, and each retired member or their designated beneficiary in receipt of a retirement allowance, shall be entitled to such proportionate part of the assets of the Fund as the reserve, required for their benefits, bears to the total reserves required under the Fund as determined by the Massachusetts Bay Transportation Authority Retirement Board (the Retirement Board) on the basis of actuarial valuation. The Retirement Board may require all such members, and retired members or designated beneficiaries, to withdraw such amounts in cash or in the form of immediate or deferred annuities as it may determine.

**(2) Significant Accounting Policies****(a) Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

**(b) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of additions and deductions during the reporting periods. Actual results could differ from estimates.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents generally consist of cash on deposit with banks and financial institutions and highly liquid short-term investments, which have original maturities of three months or less. The Fund maintains its cash deposits with financial institutions, which management considers being of high credit quality and, by policy, limits the allocation of funds to any single major financial institution to minimize the Fund's amount of credit exposure.

**(d) Revenue Recognition**

Contributions are recognized pursuant to the contractual requirements of the Pension Agreement. Investment income is recognized as it is earned. Net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2020 and 2019

**(e) Retirement Benefits and Refunds**

Retirement benefits and refunds are recognized when they become due and payable.

**(f) Investments**

Investments are stated at fair value. Securities traded on national security exchanges are valued on the basis of the closing price as of the last business day of the reporting period. Securities traded in the over-the-counter market are normally valued at the mean of the closing bid and ask prices. Securities listed or traded on certain foreign exchanges whose operations are similar to the U.S. over-the-counter market are valued at the price within the limits of the latest available current bid and ask prices deemed best to reflect current value. Gains and losses on sales of investments are determined on the basis of average cost.

Investments in real estate represent the Fund's percent ownership in private real estate funds. The Fund's investments are valued based on estimates by the Fund's management as a result of their review of financial information of the underlying real estate investment assets and standards established by the real estate industry, generally using the net asset value of the underlying investment as a practical expedient.

Investments in alternative investments and hedge funds include the Fund's percent ownership in venture capital, leveraged buyouts, private placements, hedge fund-of-funds, and other investments where the structure, risk profile, and return potential differ from traditional equity and fixed income investments. These investments are included in the statement of fiduciary net position at estimated values determined in good faith by the Fund's management, generally using the net asset value of the underlying investment as a practical expedient.

Purchase and sales of investments are selected on a trade-date basis.

**(g) Derivatives**

A derivative is an investment agreement or security with a value that depends on, or is derived from, the value of an underlying asset, reference rate, or financial index. The Fund has classified its investment in forward exchange contracts as investment in derivative instruments. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The Fund utilizes forward foreign exchange contracts to minimize the effect of fluctuating foreign currencies. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. Realized gain or loss on forward exchange contracts is the difference between the original contract and the closing value of such contract and is included in the statement of changes in fiduciary net position. At December 31, 2020 and 2019, the Fund held open forward exchange contracts of varying amounts and currencies. Unrealized gains and losses are not significant to the financial statements.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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**(h) Currency Translation**

As a result of having assets and liabilities denominated in foreign currencies, the Fund is exposed to the effect of foreign exchange rate fluctuations. Assets and liabilities denominated in foreign currencies and commitments under forward foreign exchange contracts and currency options are translated into U.S. dollars at the mean of the quoted bid and ask prices of such currencies against the U.S. dollar. Changes in foreign exchanges are reflected directly in income. Purchases and sales of portfolio securities are translated at the rates of exchange prevailing when such securities were acquired or sold. Income and expenses are translated at rates of exchange prevailing when accrued. It is not practical to isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market price of securities during the period. Net realized gains on foreign currency transactions represent net foreign exchange gains from holding foreign currencies, currency gains or losses realized between the trade and settlement dates on security transactions, and the difference between the amounts of dividends, interest, and foreign taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid.

**(i) Income Taxes**

The Fund is considered a qualified governmental plan under Internal Revenue Code Section 414(d) and, is generally exempt from federal and state income tax under the Internal Revenue Code Section 115.

**(3) Cash Deposits, Investments, and Securities Lending**

The Fund, in accordance with the declaration of trust agreement, is authorized to make deposits into checking and savings accounts and to invest in any form or type of investment, financial instrument, or financial transaction deemed prudent in the informed opinion of the Retirement Board. State Street Bank & Trust Company serves as the master custodian for the Fund's assets.

For the years ended December 31, 2020 and 2019, the Fund's essential risk information about deposits and investments is presented on the following tables.

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, the Fund's deposits may not be returned. The Fund maintains its cash and cash equivalent deposits with various financial institutions, which management considers being of high quality. The Fund limits the allocation of its cash and cash equivalent deposits to any single financial institution to minimize the Fund's exposure. The Fund's Board has not adopted a formal custodial credit risk policy.

The Fund's cash and cash equivalent deposits that are not collateralized are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limits. At December 31, 2020 and 2019, \$1,578,002 and \$3,841,810 of the Fund's cash and cash equivalents deposits were in excess of the FDIC insurance limit.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Fund's name.

All of the Fund's investments are held by the Fund's custodian in the Fund's name, except for investments in hedge funds, real estate and alternative investments, which by their nature are not required to be categorized.

**(b) Investment Policy**

The Fund's investment objective is to achieve consistent positive real returns and to maximize long term total return within prudent levels of risk through a combination of income and capital appreciation. The Fund's goal is to meet or exceed the Fund's actuarial target rate of return in order to maintain and improve upon its funded status.

The Fund is currently invested in stocks (domestic and foreign), fixed income securities (domestic), real estate, private equity, and hedge funds.

The following was the Board's adopted asset allocation policy as of December 31, 2020 and 2019:

| <u>Asset class</u>             | <u>2020 Target</u> | <u>2019 Target</u> |
|--------------------------------|--------------------|--------------------|
| Domestic equity                | 24 %               | 25 %               |
| International large cap equity | 9                  | 9                  |
| International small cap equity | 2                  | 2                  |
| Global/emerging markets        | 8                  | 7                  |
| Fixed income                   | 23                 | 25                 |
| Real estate                    | 9                  | 9                  |
| Private equity                 | 8                  | 10                 |
| Private credit                 | 2                  | —                  |
| Hedge funds                    | 5                  | 4                  |
| Hedge funds – opportunistic    | 2                  | 2                  |
| Risk parity/diversified beta   | 6                  | 5                  |
| Cash                           | 2                  | 2                  |
| Total                          | <u>100 %</u>       | <u>100 %</u>       |

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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Notes to Financial Statements

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**(c) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following is a listing of the Fund's fixed income investments and related maturity schedule (in years) as of December 31, 2020 and 2019:

| Investment type             | Fair value            | 2020             |                    |                   |                    |
|-----------------------------|-----------------------|------------------|--------------------|-------------------|--------------------|
|                             |                       | Less than 1      | 1-5                | 6-10              | More than 10       |
| Agency debt                 | \$ 4,154,608          | 272,989          | 1,147,771          | 1,942,033         | 791,815            |
| U.S. Treasury notes & bonds | 96,217,874            | 381,524          | 52,886,817         | 24,407,877        | 18,541,656         |
| Domestic corporate          | 238,316,674           | 1,306,965        | 102,227,675        | 41,901,352        | 92,880,682         |
| International corporate     | 415,661               | —                | 95,207             | 138,312           | 182,142            |
| Asset backed:               |                       |                  |                    |                   |                    |
| CMOs                        | 15,594,644            | —                | —                  | 1,409,500         | 14,185,144         |
| Mortgage backed             | 32,215,052            | —                | —                  | 1,056,540         | 31,158,512         |
| Other                       | 23,195,245            | 273,682          | 8,618,988          | 1,918,713         | 12,383,862         |
|                             | <u>\$ 410,109,758</u> | <u>2,235,160</u> | <u>164,976,458</u> | <u>72,774,327</u> | <u>170,123,813</u> |

| Investment type             | Fair value            | 2019             |                    |                   |                    |
|-----------------------------|-----------------------|------------------|--------------------|-------------------|--------------------|
|                             |                       | Less than 1      | 1-5                | 6-10              | More than 10       |
| Agency debt                 | \$ 55,531,102         | 1,078,827        | 53,317,674         | 769,422           | 365,179            |
| U.S. Treasury notes & bonds | 75,590,389            | 387,147          | 34,495,547         | 20,164,571        | 20,543,124         |
| Domestic corporate          | 185,592,596           | 2,377,222        | 44,470,007         | 63,249,243        | 75,496,124         |
| International corporate     | 2,050,089             | 503,679          | 1,368,222          | —                 | 178,188            |
| Asset backed:               |                       |                  |                    |                   |                    |
| CMOs                        | 13,200,181            | —                | —                  | 88,153            | 13,112,028         |
| Mortgage backed             | 32,003,237            | —                | —                  | —                 | 32,003,237         |
| Other                       | 25,418,567            | —                | 11,616,248         | 2,705,450         | 11,096,869         |
|                             | <u>\$ 389,386,161</u> | <u>4,346,875</u> | <u>145,267,698</u> | <u>86,976,839</u> | <u>152,794,749</u> |

The Fund's guidelines limit its effective exposure to interest rate risk by benchmarking the separately managed fixed income investment accounts to an intermediate duration benchmark with a weighted average duration of four to five years. The Fund further constrains its actively managed fixed income portfolios to maintain a duration that shall not exceed 1.5 times the benchmark duration. The manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of his/her portfolio. Fixed income managers are also expected to report risk statistics and give a description of portfolio characteristics, including quality, duration, allocation by security type, and yield to maturity.

The collateralized mortgage obligations (CMOs) held by the Fund at December 31, 2020 and 2019 are highly sensitive to changes in interest rates.

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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**(d) Credit Risk**

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations.

The Fund's Board does not have a formal investment policy governing credit risk; each fixed income securities investment manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The Fund expects all investment managers to perform their fiduciary duties as prudent people would and conform to all state and federal statutes governing the investment of the funds. Managers are to adhere to the philosophy and style that was articulated to the Retirement Board at the time of hire. The fixed income investment managers have full discretion to invest in fixed income securities in order to exceed their strategy specific benchmarks.

The Fund's fixed income investments as of December 31, 2020 and 2019 were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale:

| Investment type                          | 2020           |            |           |            |            |            |            |           |
|--|----------------|------------|-----------|------------|------------|------------|------------|-----------|
|  | Fair value     | AAA        | AA        | A          | BBB        | BB         | B          | CCC*      |
| Agency debt                              | \$ 4,154,608   | —          | 2,588,252 | 1,066,436  | 499,920    | —          | —          | —         |
| Domestic corporate                       | 238,316,674    | 54,135,939 | 2,378,546 | 19,612,591 | 79,068,867 | 19,606,833 | 53,766,074 | 3,334,690 |
| International                            | 415,661        | —          | —         | —          | —          | —          | —          | 44,976    |
| Asset backed:                            |                |            |           |            |            |            |            |           |
| CMOs                                     | 15,594,644     | 3,475,345  | 177,528   | 79,734     | 59,626     | —          | 58,499     | —         |
| Mortgage backed                          | 32,215,052     | —          | —         | —          | —          | —          | —          | —         |
| Other                                    | 23,195,245     | 5,984,670  | 670,028   | 3,237,498  | 3,302,004  | —          | 220,309    | —         |
| Total credit securities risk             | 313,891,884    | 63,595,954 | 5,814,354 | 23,996,259 | 82,930,417 | 19,606,833 | 54,044,882 | 3,379,666 |
| U.S. government fixed income securities* | 96,217,874     | —          | —         | —          | —          | —          | —          | —         |
| Total fixed income securities            | \$ 410,109,758 | —          | —         | —          | —          | —          | —          | —         |

| Investment type                          | 2019           |            |           |            |            |            |            |         |
|--|----------------|------------|-----------|------------|------------|------------|------------|---------|
|  | Fair value     | AAA        | AA        | A          | BBB        | BB         | B          | CCC     |
| Agency debt                              | \$ 55,531,102  | —          | 2,401,684 | 52,979,789 | —          | —          | —          | 149,629 |
| Domestic corporate                       | 185,592,597    | 50,977,072 | 1,345,987 | 14,895,708 | 59,660,239 | 13,612,023 | 36,983,753 | 660,688 |
| International                            | 2,050,088      | 642,826    | —         | —          | —          | 397,810    | 5,664      | 68,603  |
| Asset backed:                            |                |            |           |            |            |            |            |         |
| CMOs                                     | 13,200,181     | 4,145,665  | —         | 103,145    | 72,842     | —          | —          | —       |
| Mortgage backed                          | 32,003,237     | —          | —         | —          | —          | —          | —          | —       |
| Other                                    | 25,418,567     | 8,685,739  | 266,863   | 3,569,206  | 3,761,341  | —          | —          | —       |
| Total credit securities risk             | 313,795,772    | 64,451,302 | 4,014,534 | 71,547,848 | 63,494,422 | 14,009,833 | 36,989,417 | 878,920 |
| U.S. government fixed income securities* | 75,590,389     | —          | —         | —          | —          | —          | —          | —       |
| Total fixed income securities            | \$ 389,386,161 | —          | —         | —          | —          | —          | —          | —       |

\* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

\*\* The rating associated with this investment grade can be between C to CCC.

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**(e) Concentration Risk**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Fund places a 5% limit on the individual exposure to any single issuer at the time of purchase. The Fund has no investments with the exception of commingled funds, at fair value, that exceed 5% of the Fund's total investments as of December 31, 2020 and 2019. The Fund does have investments in individual commingled funds and trusts that represent more than 5% of the Fund's assets, but in each case, these investments are in institutional commingled funds that are invested in diversified portfolios.

**(f) Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund's exposure to foreign currency risk is attributable to its investments in separately managed and commingled international equity mutual funds and trusts that are invested in diversified portfolios of international stocks that are denominated in foreign currencies. The Fund's combined policy target allocation to all non-U.S. securities is currently 19.0% of the Fund's total assets. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts, which are described more fully in note 2.

Risk of loss arises from changes in currency exchange rates. The Fund's exposure to foreign currency risk as of December 31, 2020 and 2019 are presented on the following tables:

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| Currency   | 2020       |              |             |             |
|--|------------|--------------|-------------|-------------|
|  | Short-Term | Fixed Income | Equity      | Total       |
| Argentine peso   | \$ 10,273  | 95,207       | —           | 105,480     |
| Australian dollar  | —          | —            | 3,882,001   | 3,882,001   |
| Canadian dollar  | 33,824     | 182,142      | 3,556,441   | 3,772,407   |
| Danish krone   | —          | —            | 850,434     | 850,434     |
| Euro currency  | 6,248      | —            | 44,172,069  | 44,178,317  |
| Hong Kong dollar   | —          | —            | 9,467,786   | 9,467,786   |
| Indian rupee   | —          | —            | 7,087,236   | 7,087,236   |
| Japanese yen   | 1,148      | —            | 33,610,814  | 33,611,962  |
| New Israeli sheqel   | —          | —            | 347,270     | 347,270     |
| New Zealand dollar   | —          | —            | 169,620     | 169,620     |
| Norwegian krone  | —          | —            | 325,433     | 325,433     |
| Pound sterling   | —          | 138,312      | 16,184,353  | 16,322,665  |
| Singapore dollar   | —          | —            | 2,848,819   | 2,848,819   |
| Swedish krona  | —          | —            | 5,820,795   | 5,820,795   |
| Swiss franc  | (40)       | —            | 3,597,883   | 3,597,843   |
| Thailand baht  | —          | —            | 2,783,247   | 2,783,247   |
| International equity pooled funds (various currencies)                       | —          | —            | 134,543,814 | 134,543,814 |
|  |            |              |             |             |
| Total securities subject to foreign currency risk                            | 51,453     | 415,661      | 269,248,015 | 269,715,129 |
|  |            |              |             |             |
| United States dollars (securities held by international investment managers) | —          | —            | 13,246,888  | 13,246,888  |
|  |            |              |             |             |
| Total International Investment Securities                                    | \$ 51,453  | 415,661      | 282,494,903 | 282,962,017 |

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| Currency   | 2019         |              |             |             |
|--|--------------|--------------|-------------|-------------|
|  | Short-Term   | Fixed Income | Equity      | Total       |
| Argentine peso   | \$ 71,026    | 211,556      | —           | 282,582     |
| Australian dollar  | —            | —            | 2,547,570   | 2,547,570   |
| Brazilian real   | —            | 397,810      | —           | 397,810     |
| Canadian dollar  | 203,284      | 178,188      | 3,798,784   | 4,180,256   |
| Danish krone   | —            | —            | 276,090     | 276,090     |
| Euro currency  | (1,116)      | —            | 39,254,874  | 39,253,758  |
| Hong Kong dollar   | —            | —            | 9,786,832   | 9,786,832   |
| Indian rupee   | 528,740      | —            | 12,036,344  | 12,565,084  |
| Japanese yen   | —            | —            | 29,516,569  | 29,516,569  |
| Malaysian ringgit  | 4,181        | 619,708      | —           | 623,889     |
| New Israeli sheqel   | —            | —            | 611,072     | 611,072     |
| New Zealand dollar   | —            | —            | 178,321     | 178,321     |
| Norwegian krone  | —            | 642,826      | 138,048     | 780,874     |
| Pound sterling   | 196,580      | —            | 12,208,278  | 12,404,858  |
| Singapore dollar   | (9)          | —            | 2,997,908   | 2,997,899   |
| Swedish krona  | —            | —            | 4,026,016   | 4,026,016   |
| Swiss franc  | 29,674       | —            | 2,660,409   | 2,690,083   |
| Thailand baht  | —            | —            | 4,814,374   | 4,814,374   |
| International equity pooled funds (various currencies)                       | —            | —            | 87,273,228  | 87,273,228  |
| Total securities subject to foreign currency risk                            | 1,032,360    | 2,050,088    | 212,124,717 | 215,207,165 |
| United States dollars (securities held by international investment managers) | —            | —            | 14,909,099  | 14,909,099  |
| Total International Investment Securities                                    | \$ 1,032,360 | 2,050,088    | 227,033,816 | 230,116,264 |

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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**(g) Securities Lending Transactions**

The Fund participates in the State Street Bank and Trust Company securities lending program by lending securities to borrowers (subject to borrower limits and program guidelines) and earning additional income, which is included in net investment income in the statement of changes in fiduciary net position. The lending program loans domestic and international equities, real estate investment trusts and fixed income securities for collateral with a concurrent agreement to return the collateral for the same securities in the future.

The Fund did not incur any losses on loaned securities during the year ended December 31, 2020 and 2019. The securities are monitored and valued on a daily basis by the custodian to ensure that the loans are properly collateralized. The collateral value is required to be at least 102% of the fair value of loaned domestic investments and a collateral value of at least 105% of the fair value on loaned international investments. Collateral can consist of both cash and securities. Should the collateral percentage levels fall below the stated figures, the borrowers are required to provide additional collateral to proper levels. The indemnification that State Street Bank provides the Fund in regard to loan risk is that should a borrower default on returning a security from loan, the collateral held is used to buy the security to be returned to the Fund. Any shortfall of proceeds to purchase the securities is taken on by State Street Bank. Since loans are terminable at will, loan durations do not generally match the duration of the investments made with the cash collateral.

Loaned securities are included in the statement of fiduciary net position since the Fund maintains ownership. For loans collateralized by cash, the value of the collateral is recorded as a liability offsetting the cash collateral recorded as an asset. The cash collateral as of December 31, 2020 and 2019 was \$26,882,055 and \$22,457,542, respectively. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the statement of fiduciary net position, and a corresponding liability is not recorded, since the Fund cannot pledge or sell the collateral securities, except in the event of a borrower's default.

At December 31, 2020 and 2019, the fair value of loaned securities outstanding, included in investments, was approximately \$26,194,642 and \$21,965,011, respectively.

**(h) Commitments**

At December 31, 2020 and 2019, the Fund had contractual commitments to provide approximately \$104.4 million and \$82.6 million, respectively, of additional funding for alternative investments and real estate.

**(i) Money-Weighted Rate of Return**

The annual money weighted rate of return on the Fund's investments calculated as the internal rate of return on the pension fund net of investment expenses for the years ended December 31, 2020 and 2019 is 14.22% and 17.67%, respectively. A money weighted return expresses investment performance net of pension plan investment expense, adjusted for the changing amounts actually invested.

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**(4) Fair Value Measurements**

The Fund measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The fair value gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). These levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities. Level 2 inputs include the following:
  - Quoted prices for similar assets and liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in markets that are not active
  - Inputs other than quoted prices that are observable for the asset or liability, such as:
    1. Interest rates and yield curves observable at commonly quoted intervals
    2. Implied volatilities
    3. Credit spreads
- Level 3 – Unobservable inputs for the asset or liability (i.e., supported by little or no market activity). Level 3 inputs include management's assumptions.

The following tables' set forth by fair value hierarchy level, the Fund's assets carried at fair value December 31, 2020 and 2019:

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|  |                               | Fair value measurements using:                                |  |                                       |
|--|-------------------------------|---|--|---------------------------------------|
|  |                               | Quoted prices in<br>active markets<br>for identical<br>assets | Significant other<br>observable inputs | Significant<br>unobservable<br>inputs |
|  | Total at<br>December 31, 2020 | (Level 1)   | (Level 2)                              | (Level 3)                             |
| Cash equivalents:                                    |                               |   |  |                                       |
| Active cash  | 10,580,463                    | 10,580,463  | -                                      | -                                     |
| International cash and equivalents                   | 51,453                        | 51,453  | -                                      | -                                     |
| STIF-type instrument                                 | 55,253,032                    | 55,253,032  | -                                      | -                                     |
| Treasury bill  | 1,699,840                     | -   | 1,699,840                              | -                                     |
| Total cash equivalents                               | 67,584,788                    | 65,884,948  | 1,699,840                              | -                                     |
| U.S. equities:                                       |                               |   |  |                                       |
| Common stock   | 253,408,639                   | 253,408,639   | -                                      | -                                     |
| Depository receipts                                  | 21,568,498                    | 21,568,498  | -                                      | -                                     |
| Mutual funds   | 272,909,646                   | 272,909,646   | -                                      | -                                     |
| Preferred stock                                      | 1,165,166                     | 1,165,166   | -                                      | -                                     |
| Real estate investment trust                         | 2,239,262                     | 2,239,262   | -                                      | -                                     |
| Total U.S. equities                                  | 551,291,211                   | 551,291,211   | -                                      | -                                     |
| International equities - common stock                | 269,248,015                   | 269,248,015   | -                                      | -                                     |
| Fixed income:  |                               |   |  |                                       |
| Agency debt  | 4,154,608                     | -   | 4,154,608                              | -                                     |
| U.S. treasury notes and bonds                        | 96,217,874                    | -   | 96,217,874                             | -                                     |
| Domestic corporate                                   | 238,316,674                   | -   | 234,153,194                            | 4,163,480                             |
| Asset backed:  |                               |   |  |                                       |
| CMO  | 15,594,644                    | -   | 15,594,644                             | -                                     |
| Mortgage-backed                                      | 32,215,052                    | -   | 32,215,052                             | -                                     |
| Other asset backed                                   | 23,195,245                    | -   | 23,195,245                             | -                                     |
| Total U.S. fixed income                              | 409,694,097                   | -   | 405,530,617                            | 4,163,480                             |
| International fixed income - bonds                   | 415,661                       | -   | 415,661                                | -                                     |
| Total investments by fair value level                | 1,298,233,772                 | 886,424,174   | 407,646,118                            | 4,163,480                             |
| Total investments measured at net asset value (NAV): |                               |   |  |                                       |
| Hedge fund of funds                                  | 176,733,000                   |   |  |                                       |
| Private equity funds                                 | 152,712,081                   |   |  |                                       |
| Private real estate funds                            | 140,448,890                   |   |  |                                       |
| Total investments measured at NAV                    | 469,893,971                   |   |  |                                       |
| Total investments                                    | 1,768,127,743                 |   |  |                                       |

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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|  |                               | Fair value measurements using:                                |  |                                       |
|--|-------------------------------|---|--|---------------------------------------|
|  |                               | Quoted prices in<br>active markets<br>for identical<br>assets | Significant other<br>observable inputs | Significant<br>unobservable<br>inputs |
|  | Total at<br>December 31, 2019 | (Level 1)   | (Level 2)                              | (Level 3)                             |
| Cash equivalents:                                    |                               |   |  |                                       |
| Active cash  | 11,248,850                    | 11,248,850  | -                                      | -                                     |
| International cash and equivalents                   | 1,032,360                     | 1,032,360   | -                                      | -                                     |
| STIF-type instrument                                 | 51,484,334                    | 51,484,334  | -                                      | -                                     |
| Total cash equivalents                               | 63,765,544                    | 63,765,544  | -                                      | -                                     |
| U.S. equities:                                       |                               |   |  |                                       |
| Common stock   | 215,562,486                   | 215,562,486   | -                                      | -                                     |
| Depository receipts                                  | 25,145,079                    | 25,145,079  | -                                      | -                                     |
| Mutual funds   | 263,619,013                   | 263,619,013   | -                                      | -                                     |
| Preferred stock                                      | 525,575                       | 525,575   | -                                      | -                                     |
| Real estate investment trust                         | 2,659,502                     | 2,659,502   | -                                      | -                                     |
| Total U.S. equities                                  | 507,511,655                   | 507,511,655   | -                                      | -                                     |
| International equities - common stock                | 212,124,717                   | 212,124,717   | -                                      | -                                     |
| Fixed income:  |                               |   |  |                                       |
| Agency debt  | 55,531,102                    | -   | 55,531,102                             | -                                     |
| U.S. treasury notes and bonds                        | 75,590,389                    | -   | 75,590,389                             | -                                     |
| Domestic corporate                                   | 185,592,597                   | -   | 179,453,278                            | 6,139,319                             |
| Asset backed:  |                               |   |  |                                       |
| CMO  | 13,200,181                    | -   | 13,200,181                             | -                                     |
| Mortgage-backed                                      | 32,003,237                    | -   | 32,003,237                             | -                                     |
| Other asset backed                                   | 25,418,567                    | -   | 25,418,567                             | -                                     |
| Total U.S. fixed income                              | 387,336,073                   | -   | 381,196,754                            | 6,139,319                             |
| International fixed income - bonds                   | 2,050,088                     | -   | 2,050,088                              | -                                     |
| Total investments by fair value level                | 1,172,788,077                 | 783,401,916   | 383,246,842                            | 6,139,319                             |
| Total investments measured at net asset value (NAV): |                               |   |  |                                       |
| Hedge fund of funds                                  | 163,861,840                   |   |  |                                       |
| Private equity funds                                 | 130,141,024                   |   |  |                                       |
| Private real estate funds                            | 142,151,317                   |   |  |                                       |
| Total investments measured at NAV                    | 436,154,181                   |   |  |                                       |
| Total investments                                    | 1,608,942,258                 |   |  |                                       |

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**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
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Commingled funds are typically structured as an investment vehicle created by the Investment Manager to execute a specific investment strategy. Some investment strategies are only pursued by commingled accounts. Mutual funds and/or other types of commingled investment vehicles, including, but not limited to, Alternative Investments, may provide lower costs and better diversification than can be obtained with a separate account that pursues the same investment objectives. The fair value of the hedge fund of funds, private equity funds and real estate funds are not rated funds. The fair values of these funds are based on net asset value calculated in accordance with the general partner's fair valuation policy as of the measurement date and are annually audited separately.

The following represents the significant investment strategies and terms on which the Fund may redeem investments for those investments measured at the NAV (or its equivalent) as a practical expedient:

|   | Fair Value<br>December 31, 2020 | Fair Value<br>December 31, 2019 | Total Unfunded<br>Commitments as of<br>December 31, 2020 | Redemption<br>Frequency if<br>Currently Eligible | Redemption<br>Notice Period |
|---|---------------------------------|---------------------------------|--|--|-----------------------------|
| <b>Hedge fund of funds</b>                |                                 |                                 |  |  |                             |
| Diversified beta <sup>1</sup>             | \$ 112,947,401                  | \$ 100,773,343                  | \$ -   | monthly  | 15-30 days                  |
| Fund of hedge fund <sup>2</sup>           | 56,597,537                      | 54,024,745                      | -  | quarterly  | 30-90 days                  |
| Opportunistic hedge fund <sup>3</sup>     | 7,188,062                       | 9,063,752                       | 15,154,632   | N/A  | N/A                         |
| <b>Private equity funds<sup>4</sup></b>   | 152,712,081                     | 130,141,024                     | 87,748,419   | N/A  | N/A                         |
| <b>Private real estate funds</b>          |                                 |                                 |  |  |                             |
| Open-ended real estate funds <sup>5</sup> | 121,676,506                     | 122,039,587                     | -  | quarterly  | 30 days - 1 year            |
| Closed-end real estate funds <sup>6</sup> | 18,772,384                      | 20,111,730                      | 1,447,140  | N/A  | N/A                         |
| <b>Total Investments Measured at NAV</b>  | <b>\$ 469,893,971</b>           | <b>\$ 436,154,181</b>           | <b>\$ 104,350,191</b>                                    |  |                             |

<sup>1</sup> This category includes two diversified beta investment managers who utilize a risk premium capture strategy that seeks to generate returns by investing in equity, bond and commodity markets using a risk balanced investment process. The managers provide monthly liquidity with either 15 or 30-day notification.

<sup>2</sup> This category includes two fund of hedge fund managers; the managers provide quarterly liquidity with 30 – 90-day notice.

<sup>3</sup> This category includes one opportunistic hedge fund manager who is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets over a period of approximately three to seven years.

<sup>4</sup> This type includes private equity funds that invest in nonmarketable securities of private companies, which ultimately may become public in the future and whose strategies include buyout, growth equity, venture, mezzanine debt, distressed debt, secondary fund of funds or special situations. Generally, each fund in this category may not be subject to redemption and is normally returned through distributions as a result of liquidation of the underlying assets over a weighted average period of approximately nine years.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2020 and 2019

<sup>5</sup> This category includes four open-ended real estate funds that invest directly in real estate and real estate related assets, including retail, industrial, office, residential and hotels. Investments in this category can be redeemed quarterly upon 30 days to one-year notice.

<sup>6</sup> This category includes funds that invest directly in real estate and real estate related assets, including retail, industrial, office, residential and hotels. Generally, investment in each fund in this category may not be subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets over a weighted average period of approximately seven or more years.

**(5) Related-Party Transactions**

The Fund invests certain cash in a money market fund, the State Street Bank and Trust Company Short Term Investment Fund, which is sponsored by the Fund's custodial bank. The total value of the funds held at December 31, 2020 and 2019 was \$55,253,032 and \$51,484,334, respectively.

The Fund invests in the AFL CIO Housing Investment Trust and the AFL CIO Building Investment Trust, two for profit investment programs of the AFL CIO. The total value of AFL CIO Housing Investment Trust at December 31, 2020 and 2019 was \$54,135,939 and \$50,977,072, respectively. The total value of AFL CIO Building Investment Trust at December 31, 2020 and 2019 was \$16,667,032 and \$16,796,387, respectively.

**(6) Net Pension Liability**

The components of the net pension liabilities of the MBTA Retirement Fund as of December 31, 2020 and 2019 are shown as follows (amounts in thousands):

|  | <u>2020</u>         | <u>2019</u>        |
|--|---------------------|--------------------|
| Total pension liability  | \$ 3,055,123        | 3,021,110          |
| Plan fiduciary net position  | <u>(1,769,941)</u>  | <u>(1,614,144)</u> |
| Fund's net pension liability   | <u>\$ 1,285,182</u> | <u>1,406,966</u>   |
| Plan fiduciary net position as a percentage of total pension liability | 57.93 %             | 53.43 %            |

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of December 31, 2020 and 2019, using the following actuarial assumptions:

- As of December 31, 2020, a table of increases based on years of service, with rates of increase declining from 8% per year for the newly hired to 2.75% per year with 15 or more years of service.
- Investment rate of return compounded annually in 2020 and 2019 of 7.25% per annum.
- Inflation rate of 2.75%

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2020 and 2019

For the actuarial valuation as of December 31, 2020 and 2019, the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 are used for all active participants and deferred vested participants. 94.5% of the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 are used for all retirees. 107.5% of the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 are used for all beneficiary participants. The RP-2014 Disabled Mortality Table with fully generational projection using Scale MP-2018 are used for the period after disability retirement. Among pre-retirement deaths, 7.50% are assumed to qualify for accidental death benefits.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period from January 1, 2013, through December 31, 2017. Actuarial valuations attempt to estimate costs associated with the pension fund based on a number of demographic, economic and retirement experience assumptions. Experience studies are required by statute to be conducted every five years to review experience in comparison to these assumptions and to provide recommended changes to assumptions.

The long-term expected rate of return on Fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Fund investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term arithmetic rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020, are summarized in the following table:

| Asset class  | Target asset allocation |      | Long-term expected real rate of return |        |
|--------------|-------------------------|------|--|--------|
|              | 2020                    | 2019 | 2020                                   | 2019   |
| Equity       | 43 %                    | 43 % | 6.46 %                                 | 8.39 % |
| Fixed income | 23                      | 25   | 1.25                                   | 1.99   |
| Alternatives | 32                      | 30   | 6.32                                   | 7.16   |
| Cash         | 2                       | 2    | (0.08)                                 | 0.53   |

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.20%.

**(a) Discount Rate**

The discount rate used to measure the total pension liability at December 31, 2020 and 2019 was 7.25%. The projections of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments to current Fund members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)



**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2020 and 2019

**(b) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability as of December 31, 2020 and 2019, calculated using the discount rate of 7.25%, respectively, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.25% or one percentage point higher 8.25% than the current rate (amounts in thousands):

|                            | <b>1% Decrease<br/>(6.25%)</b> | <b>Current<br/>discount rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|----------------------------|--------------------------------|--|--------------------------------|
| 2020 Net pension liability | \$ 1,596,155                   | 1,285,182                                    | 1,021,143                      |
| 2019 Net pension liability | 1,714,806                      | 1,406,966                                    | 1,145,684                      |

**(7) Subsequent Events**

There have been no other subsequent events through June 22, 2021, the date that the Fund's financial statements were available to be issued, that require recognition or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Required Supplementary Information  
Schedule of Changes in Net Pension Liability and Related Ratios  
(Unaudited)

|  | 2020                    | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 |
|--|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability  |                         |                      |                      |                      |                      |                      |                      |
| Service cost   | 52,008,968              | 47,942,711           | 46,101,006           | 31,850,127           | 31,896,560           | 37,305,333           | 34,500,540           |
| Interest   | 214,772,564             | 214,112,586          | 207,497,686          | 204,779,603          | 195,768,057          | 191,392,028          | 184,667,178          |
| Differences between expected and actual experience                         | (7,346,171)             | (3,179,975)          | 11,599,381           | 44,627,096           | 90,067,566           | 31,325,149           | 48,560,391           |
| Changes of assumptions   | -                       | 69,299,287           | 43,926,927           | 128,688,470          | -                    | (6,762,751)          | -                    |
| Benefit Payments   | <u>(225,422,340)</u>    | <u>(223,864,973)</u> | <u>(221,710,054)</u> | <u>(212,814,757)</u> | <u>(197,561,539)</u> | <u>(188,906,232)</u> | <u>(184,130,187)</u> |
| Net change in total pension liability                                      | 34,013,021              | 104,309,636          | 87,414,946           | 197,130,539          | 120,170,644          | 64,353,527           | 83,597,922           |
| Total pension liability-beginning of year                                  | <u>3,021,110,359</u>    | <u>2,916,800,723</u> | <u>2,829,385,777</u> | <u>2,632,255,238</u> | <u>2,512,084,594</u> | <u>2,447,731,057</u> | <u>2,364,133,135</u> |
| Total pension liability-ending (a)   | <u>3,055,123,380</u>    | <u>3,021,110,359</u> | <u>2,916,800,723</u> | <u>2,829,385,777</u> | <u>2,632,255,238</u> | <u>2,512,084,594</u> | <u>2,447,731,057</u> |
| Change in fiduciary net position:  |                         |                      |                      |                      |                      |                      |                      |
| Contributions - employer   | 116,285,928             | 103,263,763          | 92,013,124           | 83,382,882           | 77,239,279           | 73,373,672           | 70,603,285           |
| Contributions - employee   | 40,774,027              | 36,366,108           | 32,606,337           | 29,775,344           | 27,791,543           | 26,510,946           | 25,318,224           |
| Net investment income  | 228,670,823             | 253,730,990          | (52,072,879)         | 221,690,618          | 86,782,343           | 4,711,246            | 73,543,477           |
| Benefit payments   | (225,422,340)           | (223,864,973)        | (221,710,054)        | (212,814,757)        | (197,561,539)        | (188,906,232)        | (184,130,187)        |
| Administrative expenses  | <u>(4,511,375)</u>      | <u>(5,046,775)</u>   | <u>(4,317,624)</u>   | <u>(4,463,775)</u>   | <u>(6,493,777)</u>   | <u>(5,808,086)</u>   | <u>(4,052,664)</u>   |
| Net change in fiduciary net position                                       | <u>155,797,063</u>      | <u>164,449,113</u>   | <u>(153,481,096)</u> | <u>117,570,312</u>   | <u>(12,242,151)</u>  | <u>(90,118,454)</u>  | <u>(18,717,865)</u>  |
| Fund fiduciary net position-beginning of year                              | 1,614,144,213           | 1,449,695,100        | 1,603,176,196        | 1,485,605,884        | 1,497,848,035        | 1,587,966,489        | 1,606,684,354        |
| Fund fiduciary net position - end of year (b)                              | <u>1,769,941,276</u>    | <u>1,614,144,213</u> | <u>1,449,695,100</u> | <u>1,603,176,196</u> | <u>1,485,605,884</u> | <u>1,497,848,035</u> | <u>1,587,966,489</u> |
| Fund's net pension liability-ending (a)-(b)                                | <u>1,285,182,104</u> \$ | <u>1,406,966,146</u> | <u>1,467,105,623</u> | <u>1,226,209,581</u> | <u>1,146,649,354</u> | <u>1,014,236,559</u> | <u>859,764,568</u>   |
| Fund fiduciary net position as a percentage of the total pension liability | 57.93%                  | 53.43%               | 49.70%               | 56.66%               | 56.44%               | 59.63%               | 64.88%               |
| Covered payroll  | 460,921,559 \$          | 436,828,077          | 425,862,201          | 428,830,122          | 446,740,427          | 443,237,899          | 417,957,007          |
| Net pension liability as a percentage of covered payroll                   | 278.83%                 | 322.09%              | 344.50%              | 285.94%              | 256.67%              | 228.82%              | 205.71%              |

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See accompanying independent auditors' report.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND****Required Supplementary Information  
Schedule of Changes in Net Pension Liability and Related Ratios  
(Unaudited)****Change of Assumptions:**

- 2020: No change of assumptions.
- 2019: Discount rate decreased from 7.50% to 7.25% resulting in an increased net pension liability totaling \$69.3 million.
- 2018: Salary scale decreased the net pension liability by \$(59.6) million, mortality rates increased the net pension liability by \$6.0 million, termination rates increased the net pension liability by \$9.4 million, and retirement rates increased the net pension liability by \$88.1 million, resulting in an increased net pension liability totaling \$43.9 million.
- 2017: Discount rate decreased from 7.75% to 7.5% resulting in an increased net pension liability totaling \$128.7 million.

See accompanying independent auditors' report.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND****Required Supplementary Information  
Schedule of Investment Returns  
(Unaudited)**

|   |             |         |
|---|-------------|---------|
| Annual money-weighted rate of return, net of investment expense | <b>2020</b> | 14.22%  |
|   | <b>2019</b> | 17.67%  |
|   | <b>2018</b> | (3.37)% |
|   | <b>2017</b> | 17.79%  |
|   | <b>2016</b> | 5.88%   |
|   | <b>2015</b> | 0.65%   |
|   | <b>2014</b> | 4.80%   |

This schedule is intended to present 10 years of data. Additional years will be presented when available.  
See accompanying independent auditors' report.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND**

Required Supplementary Information  
Schedule of Contributions  
(Unaudited)

| <u>Year</u> | <u>Actuarially<br/>determined<br/>contribution</u> | <u>Actual<br/>contribution in<br/>relation to<br/>actuarially<br/>determined<br/>contribution</u> | <u>Percentage of<br/>actuarially<br/>required<br/>contributions</u> | <u>Covered-<br/>payroll</u> | <u>Contribution<br/>as a<br/>percentage of<br/>covered-<br/>payroll</u> |
|-------------|--|---|---|-----------------------------|---|
| 2020        | \$ 116,285,928                                     | \$ 116,285,928  | 100.00%   | 460,921,559                 | 25.23%  |
| 2019        | 103,264,000  | 103,263,763   | 100.00  | 436,828,000                 | 23.64   |
| 2018        | 92,013,000   | 92,013,124  | 100.00  | 425,862,000                 | 21.61   |
| 2017        | 83,383,000   | 83,382,882  | 100.00  | 428,830,000                 | 19.44   |
| 2016        | 77,239,000   | 77,239,279  | 100.00  | 446,740,000                 | 17.29   |
| 2015        | 73,359,000   | 73,373,372  | 100.02  | 443,238,000                 | 16.55   |
| 2014        | 77,594,000   | 70,603,285  | 90.99   | 417,957,000                 | 16.89   |
| 2013        | 67,602,000   | 58,039,160  | 85.85   | 379,071,000                 | 15.31   |
| 2012        | 66,035,000   | 54,968,325  | 83.24   | 370,873,000                 | 14.82   |
| 2011        | 60,691,000   | 52,278,311  | 86.14   | 366,535,000                 | 14.26   |

See accompanying independent auditors' report.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
RETIREMENT FUND****Notes to Required Supplementary Information  
(Unaudited)****Actuarial Assumption and Methods Used to Determine Contribution Rates**

Actuarially determined contributions are calculated as of the December 31 preceding by six months of the start of the fiscal year in which contributions are made. For example, the contribution calculated in the December 31, 2018 actuarial valuation was to be made during the period from July 1, 2019 through June 30, 2020.

Methods and assumptions used to determine the contributions for calendar 2020 and 2019 (based on 2019 and 2020 actuarial valuations).

- Salary – As of December 31, 2020, a table of increases based on years of service, with rates of increase declining from 8% per year for the newly hired to 2.75% per year with 15 or more years of service.
- Actuarial cost method – Entry Age Normal
- Amortization method – Closed period (specified below); installments increase at the rate of 4% per year.
- Remaining amortization period – 19 years (2020 valuation), 20 years (2019 valuation)
- Asset Valuation method – Five-year phase-in smoothing method
- Investment rate of return – 7.25% net of pension plan investment expense.
- Retirement Age – Probabilities of retirement are based on table that reflects both age and service.
- Mortality
  - For the actuarial valuation as of December 31, 2020 & 2019, the RP 2014 Blue Collar Mortality Tables with fully generational projection using Scale MP 2018 are used for all active participants and deferred vested participants. 94.5% of the RP 2014 Blue Collar Mortality Tables with fully generational projection using Scale MP 2018 are used for all retirees. 107.5% of the RP 2014 Blue Collar Mortality Tables with fully generational projection using Scale MP 2018 are used for all beneficiary participants. The RP 2014 Disabled Mortality Table with fully generational projection using Scale MP 2018 are used for the period after disability retirement. Among pre-retirement deaths, 7.50% are assumed to qualify for accidental death benefits.

## Schedule of Administrative Expenses

| As of December 31,                             | 2020                | 2019             |
|--|---------------------|------------------|
| <b>Wages and Benefits</b>                      |                     |                  |
| Staff Salaries *                               | \$ 1,136,071        | 1,091,504        |
| Retiree Payroll                                | 279,369             | 292,752          |
| Benefits                                       | 344,120             | 333,291          |
| <b>Total Personnel Services</b>                | <b>\$ 1,759,560</b> | <b>1,717,547</b> |
| *Interim Executive Director Salary = \$196,000 |                     |                  |
| <b>Professional Services</b>                   |                     |                  |
| Actuarial                                      | \$ 128,075          | 213,823          |
| Audit  | 129,800             | 123,135          |
| Extraordinary Consultant fees*                 | 0                   | 4,726            |
| Legal Counsel                                  | 1,433,139           | 1,619,637        |
| Disability Medical Exams                       | 58,110              | 65,215           |
| <b>Total Professional Services</b>             | <b>\$ 1,749,124</b> | <b>2,026,536</b> |
| <b>Communication</b>                           |                     |                  |
| Newsletter / Annual Report                     | \$ 16,786           | 17,445           |
| Postage  | 2,541               | 9,165            |
| Telephone                                      | 33,420              | 31,041           |
| Education and Training                         | 28,785              | 90,364           |
| Manager Meetings                               | 5,202               | 25,254           |
| Member Services                                | 5,957               | 5,901            |
| <b>Total Communication</b>                     | <b>\$ 92,691</b>    | <b>179,170</b>   |
| <b>Miscellaneous</b>                           |                     |                  |
| General and Administrative                     | \$ 29,146           | 42,866           |
| Business Insurance                             | 207,480             | 205,078          |
| Rent   | 413,148             | 410,495          |
| Technological Support                          | 260,225             | 465,083          |
| <b>Total Miscellaneous</b>                     | <b>\$ 910,000</b>   | <b>1,123,522</b> |
| <b>Total Administrative Expenses</b>           | <b>\$ 4,511,375</b> | <b>5,046,775</b> |

\*Fees incurred in response to Markopolous allegations and in support of FTI Consulting investigation, and related matters.

See accompanying Independent Auditors' Report



## Schedule of Investment Expenses and Payments to Consultants

| As of December 31,                          | 2020                | 2019             |
|---|---------------------|------------------|
| <b>Schedule of Investment Expenses</b>      |                     |                  |
| Investment Management Fees                  | \$ 4,690,081        | 4,682,788        |
| Investment Consultant Fees                  | 344,000             | 344,000          |
| Communications / Governmental Services      | 146,400             | 150,400          |
| Custodial Fees                              | 725,174             | 833,615          |
| <b>Total Investment Expenses</b>            | <b>\$ 5,905,655</b> | <b>6,010,803</b> |
| <b>Schedule of Payments to Consultants*</b> |                     |                  |
| Independent Auditors                        | \$ 129,800          | 123,135          |
| Extraordinary Consultant fees**             | 0                   | 4,726            |
| Actuary                                     | 128,075             | 213,823          |
| Legal                                       | 1,433,139           | 1,619,637        |
| <b>Total Payments to Consultants</b>        | <b>\$ 1,691,014</b> | <b>1,961,321</b> |

\*These payments are presented for analytical purposes; each amount is already included in schedules of administrative or investment expenses

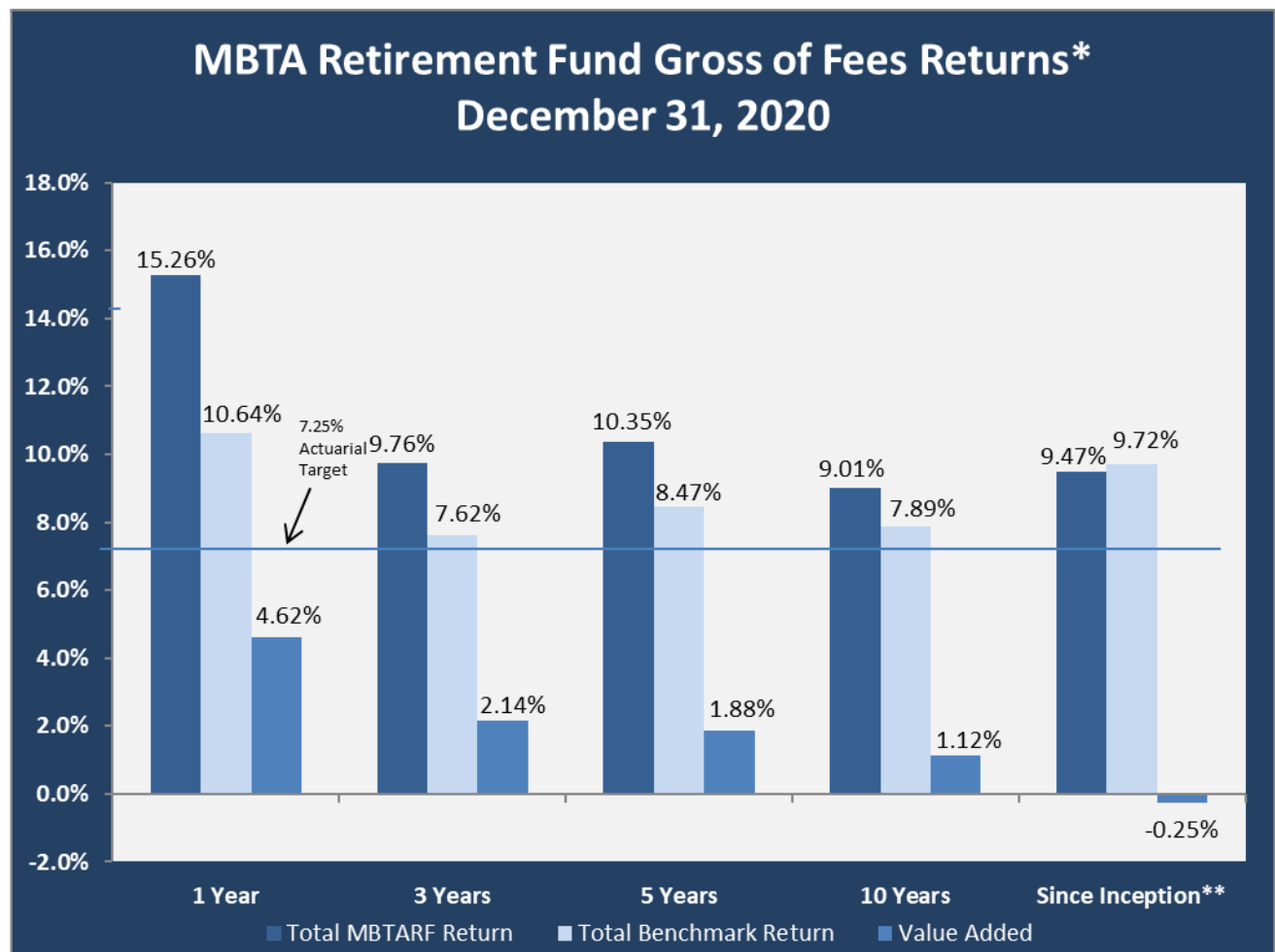
\*\*Fees incurred in response to Markopolous allegations and in support of FTI Consulting investigation, and related matters.

See accompanying Independent Auditors' Report

# INVESTMENT SECTION

(Unaudited)

## 2020 Investment Results



\* Gross of Fees with the exception of hedge funds which are net of fees

\*\* Performance inception date of January 1, 1982

## Report on Investment Activity

The Massachusetts Bay Transportation Authority Retirement Fund (the “Fund” or “MBTARF”) was created to provide retirement benefits for certain employees of the Massachusetts Bay Transportation Authority (the “Authority”). The Fund was established in 1948 pursuant to a Trust Agreement between local 589 ATU AFL-CIO (the “Union”) and the Authority that is governed by the terms of a separately negotiated Pension Agreement between the Authority and the Union. The MBTA Retirement Board is responsible for the general oversight of the MBTA Retirement Fund. The primary goal of the Fund’s investment program is to meet or exceed the Fund’s actuarial target rate of return in order to maintain and improve upon its funded status. The Board of the Fund seeks to maximize return on investments through a diverse group of investment managers with an acceptable level of risk.

The Investment Section was prepared by the MBTA Retirement Fund Finance Staff with assistance of the consultant, Segal Marco Advisors. The Fund’s investment portfolios are presented at fair value which is appropriate industry standard. The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Fund adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The investment performance information provided in this section of the Annual Comprehensive Financial Report was calculated by the Fund’s custodian, State Street Bank & Trust Company, using a time-weighted rate of return based on the fair value of assets.

As of December 31, 2020, the Board employed 15 public markets investment managers, 23 private equity market managers, 7 real estate managers, 2 hedge fund-of-funds managers, 1 opportunistic hedge fund manager and 2 risk parity/diversified beta managers. The Fund had approximately \$1,769.9 million in assets under management at December 31, 2020. Each investment manager operates within guidelines that are established by the Board and consultant and are outlined in a detailed investment management or partnership agreement.

The Investment Policy statement adopted by the Fund Board requires that the Board and the Executive Director review the asset allocation at least quarterly to determine if the asset allocation is consistent with the exposure ranges described. A change in the Fund’s liability structure, funded status, or long-term investment prospects may also trigger a revision of the asset allocation. The Executive Director will direct investment managers to transfer funds to rebalance the asset allocation as necessary. The Executive Director shall use appropriate judgment and care when rebalancing portfolios.

## Current Allocation as of 12/31/2020

| Asset Class                         | 12/31/2020 Allocation % | Target (%) |
|-------------------------------------|-------------------------|------------|
| <b>Equities</b>                     | <b>46.4</b>             | <b>43</b>  |
| US Large Cap                        | 17.6                    | 17         |
| US Small Cap                        | 8.2                     | 7          |
| International Equity (unhedged)     | 9.2                     | 9          |
| International Small Cap             | 2.1                     | 2          |
| Global / Emerging Markets           | 9.3                     | 8          |
| <b>Fixed Income</b>                 | <b>23.3</b>             | <b>23</b>  |
| Core Fixed Income                   | 8.1                     | 8          |
| TIPS                                | 3.2                     | 3          |
| Mortgages                           | 3.3                     | 3          |
| Global & Multi Sector               | 5.8                     | 6          |
| Bank Loans                          | 2.9                     | 3          |
| Cash*                               | 3.7                     | 2          |
| <b>Alternative Investments</b>      | <b>26.6</b>             | <b>32</b>  |
| Private Equity & Private Credit     | 8.6                     | 10         |
| Real Estate                         | 8.0                     | 9          |
| Fund of Hedge Funds                 | 3.2                     | 5          |
| Fund of Hedge Funds - Opportunistic | 0.4                     | 2          |
| Risk Parity / Diversified Beta      | 6.4                     | 6          |

\*Investment manager's cash holdings are reported in cash and cash equivalents

## The Year in Review – The World Markets

### Fiscal Year 2020 Global Markets Overview

#### First Quarter 2020:

After a strong 2019, the coronavirus pandemic caused a global economic downturn. World equity markets declined sharply in the first quarter of 2020. Economic activity was severely limited as much of the country's business activity shut down. U.S. GDP growth fell by -4.8% in the first quarter, which was the first quarterly decline since Q1 2014 and the steepest fall since the fourth quarter of 2008. The decline in consumer spending led the drop and the falloff in business and investment spending was only partly made up by government spending and residential investment.

The economic slowdown resulting from the global outbreak led to a huge sell-off of U.S. Equities during the first quarter. Investor panic caused a rush to liquidity and volatility reached an all-time high. The Federal Reserve (Fed) and Congress launched stimulus measures meant to stabilize the economy and markets. The S&P 500 rebounded 15% by quarter-end after the U.S. government stimulus package was approved on March 23<sup>rd</sup>. The spread of Covid-19 severely impacted international markets as well. The MSCI EAFE and MSCI World ex US indices, which are proxies for international developed markets, each fell by 23% for the quarter. Eurozone equities fell sharply as Europe became the worst-affected internationally developed region impacted by the outbreak, with Italy and Spain being the hardest hit countries.

After the Federal Reserve cut rates for the second time in March 2020, yields fell dramatically across the curve. The Fed made this emergency rate cut in an attempt to stimulate economic growth as many businesses shut down in the midst of the pandemic.

The private real estate market was mainly frozen with few transactions in March of 2020. Sellers and buyers were hesitant to enter transactions given market uncertainty. Retail and hotel sectors experienced tenant difficulties and historically low occupancy.

#### Second Quarter 2020:

As a number of global economies emerged from COVID-19 lockdown, world equity markets surged in the 2<sup>nd</sup> quarter 2020, boosting stocks. Personal consumption, exports, inventories, investment, and spending by state and local governments all declined sharply. However, personal income rose dramatically, as the federal government's stimulus program took effect. The unemployment rate was 11.1% in June 2020, well below the February low.

(Continued)

U.S. and International equities were positive as much of the virus and outbreak in the Eurozone was contained and countries reopened. China's post-outbreak resurgence powered emerging market equities, though other emerging market countries still struggled.

U.S. fixed income was positive, but lagged stocks. While the Federal Reserve supported bolstered bonds, investors favored riskier assets in the quarter. Non-U.S. fixed income also rose, as a weaker US dollar helped unhedge non-US debt. Central bank policies globally implemented more stimulus measures with the global economic shutdowns and as unemployment claims continued to rise in the U.S.

Due to the pandemic, real estate sectors such as multi-family and industrials are now viewed as defensive as a high population of people stay home. These sectors also benefitted from continued growth of e-commerce. The number of properties that were written down in the second quarter was roughly 80% of the properties in the NPI vs. 20% that were written up. This is the greatest disparity since the financial crisis.

### **Third Quarter 2020:**

As COVID cases lowered over the summer, economies continued to reopen gradually. U.S. GDP growth surged 33.1% in the third quarter, the biggest quarterly increase since records began in 1947. Despite this recovery, the economy was still only about two thirds of where it was pre-pandemic. Although it did not arrive, the promise of more fiscal stimulus buoyed investors for much of the quarter.

U.S. equity, and international equities were higher in the 3<sup>rd</sup> quarter. The economies of the Eurozone and Japan rebounded somewhat from COVID-related downturns. The S& P 500 and MSCI ACWI were both able to pass their February, pre-COVID, peaks. Consumer discretionary, materials and industrials were the top performing sectors during the quarter. Emerging market equities increased as China continued its post-outbreak recovery.

The Federal Reserve announced it would keep rates low for the foreseeable future allowing U.S. fixed income to eke out a gain. Non-U.S. fixed income also rose. The U.S. dollar depreciated relative to the British pound, euro and yen.

Commodities posted strong gains in the third quarter amid hopes that global demand would pick up as COVID cases retreated.

(Continued)

**Fourth Quarter 2020:**

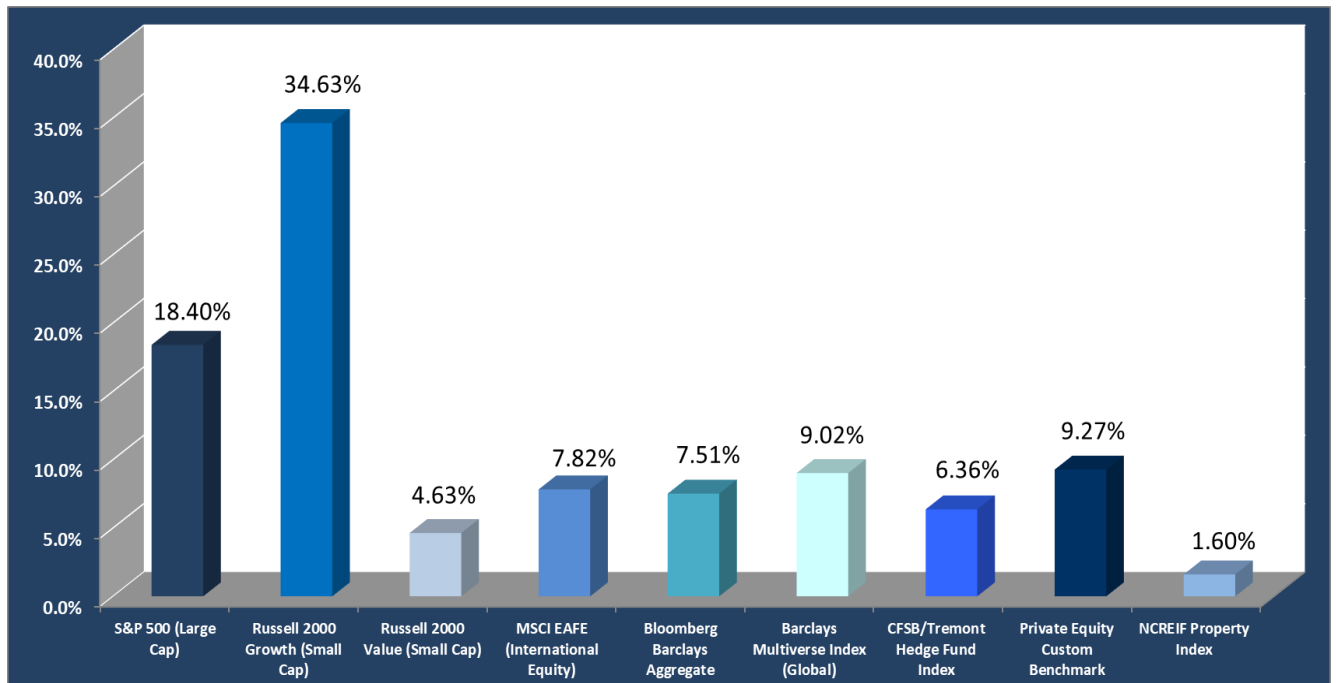
Approval and distribution of the new COVID vaccines led to anticipation of more global demand and caused the world equity markets to rise in the 4<sup>th</sup> quarter 2020. Consumer spending fell as COVID-related closures and restrictions increased once again. The U.S. unemployment rate was down to 6.7% in December however, the hospitality sector lost most jobs, as bars and restaurants were hit relatively hard. The aid of December's U.S. government stimulus, along with higher household savings and COVID vaccination programs, have some economists predicting continued recovery in 2021.

U.S. equities rose as the FDA approved the Pfizer and Moderna Covid -19 vaccines, along with election results and news of further stimulus from Congress towards the end of the year. International developed markets returned 16% during the 4<sup>th</sup> quarter, outperforming U.S. markets by 4%. As a result of the US dollar weakness, emerging markets equity increased.

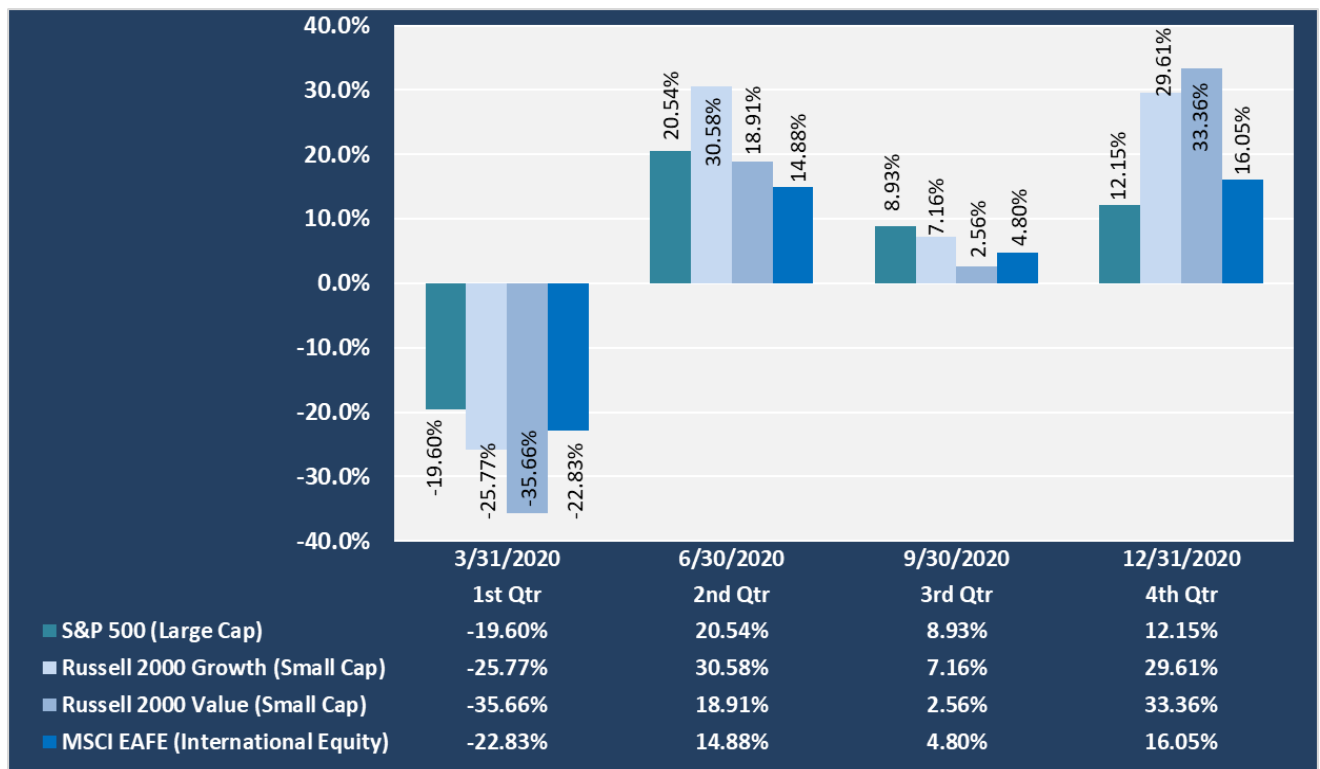
U.S. and non-U.S. fixed income markets reported gains. The Fed continued to state it would keep rates low for the foreseeable future. Central banks globally have implemented more stimulus measures as the pandemic continues. Interest rates remained low worldwide.



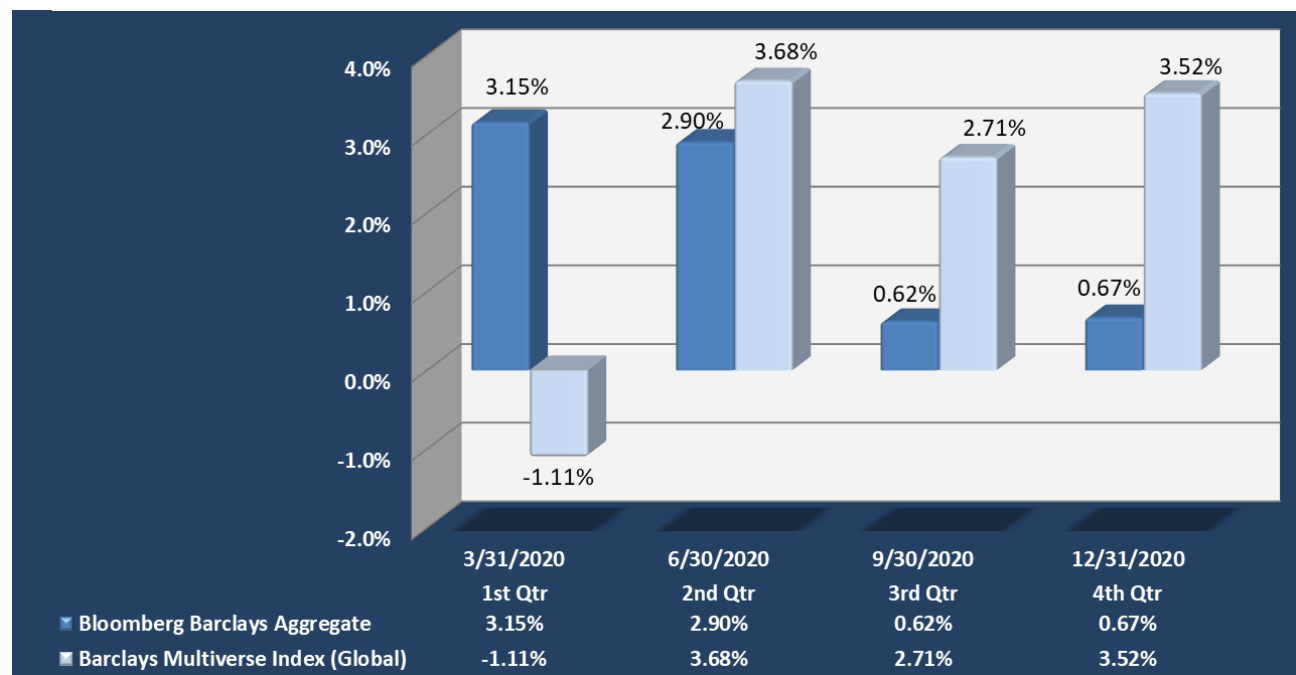
## Fiscal Year 2020 Market Indices Returns



## Fiscal Year 2020 Equity Indices by Quarter

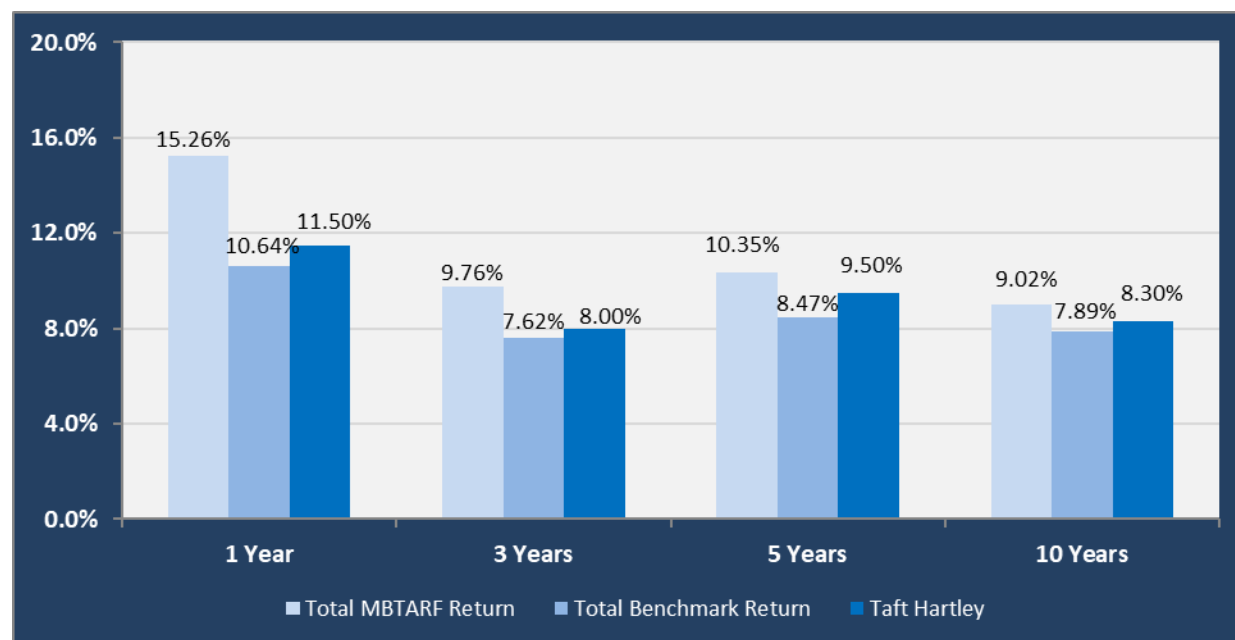


## Fiscal Year 2020 Fixed Income Indices by Quarter



**MBTARF Core Performance: Fiscal Year 2020**

Returns are calculated based on a time-weighted rate of return methodology. The Fund's returns (gross of fees) and benchmarks for the periods ended December 31, 2020:



During fiscal year 2020, the Fund returned 15.26%, outperforming the Policy Benchmark of 10.64% by 462 basis points. The MBTARF began fiscal year 2020 with a net position of \$1,614.1 million and ended with a \$1,769.9 million net position. On a gross basis the Fund increased \$155.8 million. \$221.4 million in net retirement benefits were dispersed to members of the Fund.

The quarterly returns of the Fund in fiscal year 2020 were as follows:

|             | MBTARF Return | Policy Benchmark Return |
|-------------|---------------|-------------------------|
| 1st Quarter | -12.12%       | -9.60%                  |
| 2nd Quarter | 11.20%        | 9.40%                   |
| 3rd Quarter | 5.32%         | 3.66%                   |
| 4th Quarter | 11.99%        | 7.92%                   |

Despite the pandemic induced stock market decline in March and April of 2020, it rapidly rebounded, and the Fund's 2020 performance ended on a positive note. Markets remain generally hopeful with the aid of the government stimulus and vaccines should continue to lift the economy and markets in 2021. (Continued)

For the full-year period, equities generated returns ranging from 7.82% for the EAFE index of non-U.S. developed markets stocks to 18.40% and 19.96% for the S&P 500 Index of Large Cap U.S. stocks and Russell 2000 Index of Small Cap U.S. stocks, respectively. Core bond index returns ranged from 9.02% for the Bloomberg Barclays Multiverse index to 7.51% for the Bloomberg Barclays Aggregate Index.

Among alternatives, real estate as measured by the NCREIF Property Index gained 1.60%. Diversified hedge funds gained 6.36% for the year based on the CFSB/Tremont Hedge Fund Index.

The MBTA Retirement Fund (the “Fund”) generated a gross return of 15.26% in 2020, which ranked in the 11<sup>th</sup> percentile of the InvMetrics Public Fund Gross Return universe for funds with fair values of greater than \$1 billion. The Fund’s long-term investment objective is 7.25%. The Fund’s annualized return since inception is 9.47%. The Fund’s gross annualized return over the ten-year period ended December 2020 was 9.02% and ranked in the top 21% of the InvMetrics greater than \$1 billion Public Pension Gross Return Fund Universe. The Fund’s gross returns for the three and five-year periods ended December 2020 were 9.76% and 10.35% and ranked in the 14<sup>th</sup> and 27<sup>th</sup> percentiles, respectively.

The MBTA Retirement Board authorized the following actions, among others, to position the Fund for long-term risk-adjusted returns, while addressing the Fund’s policy framework and cost effectiveness:

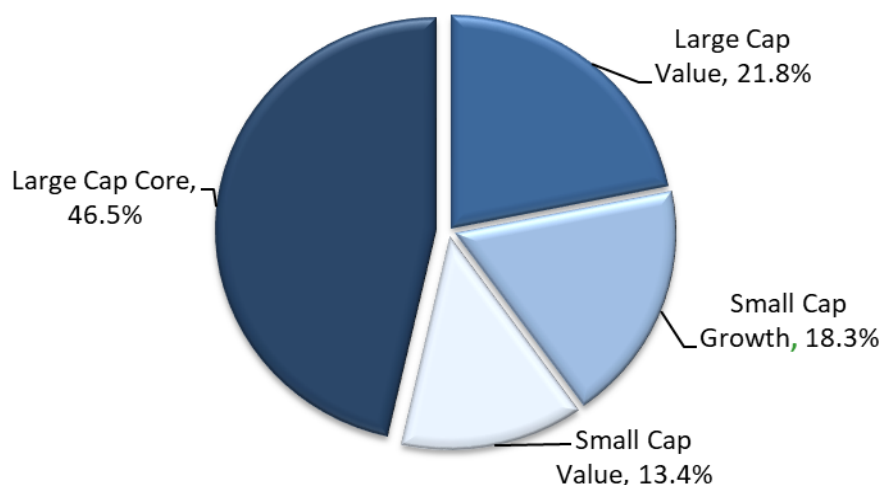
- Several technological updates have occurred to better position the Fund to serve its members, including but not limited to, migrating the Fund email to the cloud, updating the operating system, and fully integrating PTG.
- Transitioned the Board and Staff to hybrid capabilities in March 2020 in response to the Governor’s guidance regarding the COVID-19 pandemic.
- The MBTARF Board of Directors approved an updated asset allocation effective April 1, 2020.
- Committed \$30 million to PRIM’s Emerging Market Equity Segmentation in July 2020.
- Committed \$17.5 million to PRIM’s Private Equity Vintage Year 2021 Segmentation and \$7.5 million to New Mountain Partners Fund VI in October 2021.

## Investment Summary by Type

### Domestic Equity Portfolio

As of December 31, 2020, the domestic equity portfolio had approximately \$456.0 million in net positions, which represented 25.8% of the Fund portfolio. Approximately 68.3% of the domestic equity portfolio is invested in a large capitalization equity strategy (large cap) with the remaining 31.7% in a small capitalization equity strategy (small cap). The Fund's domestic equity portfolio is actively managed in an attempt to outperform a diverse set of indices. Each investment manager's performance is measured against an assigned index based on the stated investment strategy.

**Domestic Equity Portfolio**  
As of December 31, 2020



On a three, five and ten-year basis through December 31, 2020, the domestic equity portfolio has returned 13.29%, 14.65% and 13.36% compared to the S&P 500 benchmark, which returned 14.18%, 15.22% and 13.89% respectively.

**Style** - The Board intends to manage risk and diversify the Fund's portfolio through the selection of money managers with different investment styles and complementary characteristics within each asset class.

**Portfolio Risks** – Although the performance of equity securities has historically exceeded that of other market assets over an extended period of time, these assets, as all investments carry the risk of loss of principal and are subject to changing market conditions. The value of equities is not only determined by external market factors but by the performance of the firms for which these assets legally represent.

(Continued)




**Portfolio Returns** - During the fiscal year the domestic equity portfolio produced a return of 19.07% compared to the S&P 500 benchmark, 18.40%. Large cap equity managers returned 17.27% underperforming the benchmark by (1.13) % and small cap equity returned 23.15% outperforming the Russell 2000 Index by 3.19%. The Fund had one large cap core indexed manager and one small cap value indexed manager. Of the two active large cap value managers, Aristotle exceeded their respective benchmark in 2020 by 12.67% and Boston Partners underperformed their benchmark by (0.42) %. Of the two active small cap managers, Alliance Capital outperformed their respective benchmark in 2020 by 20.02% and RBC Global Asset management underperformed by (10.82) %.

The top ten holdings in the domestic equity portfolio at December 31, 2020 are illustrated below. A complete listing of holdings is available upon request.

| Shares               | Stock                      | Market Value (\$000's) | % of fair value |
|----------------------|----------------------------|------------------------|-----------------|
| 34,557               | SEA LTD ADR                | \$ 6,879               | 1.51%           |
| 1,714                | AMAZON.COM INC             | 5,582                  | 1.22            |
| 25,346               | VISA INC CLASS A SHARES    | 5,544                  | 1.22            |
| 10,746               | ASML HOLDING NV NY REG SHS | 5,241                  | 1.15            |
| 33,539               | NIKE INC CL B              | 4,745                  | 1.04            |
| 4,021                | SHOPIFY INC CLASS A        | 4,552                  | 1.00            |
| 2,440                | MERCADOLIBRE INC           | 4,088                  | 0.90            |
| 6,916                | NETFLIX INC                | 3,740                  | 0.82            |
| 6,966                | ALIGN TECHNOLOGY INC       | 3,722                  | 0.82            |
| 15,255               | IRHYTHM TECHNOLOGIES INC   | 3,619                  | 0.79            |
| <b>Total Top Ten</b> |                            | <b>\$ 47,712</b>       | <b>10.47%</b>   |

(Continued)

The MBTA Retirement Fund's domestic equity managers at December 31, 2020 are presented in the following table:

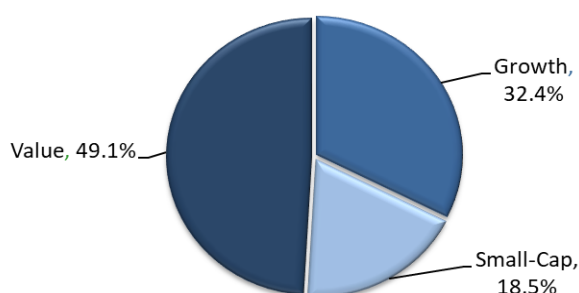
|   | Manager                      | Investment Mandate | Portfolio Fair Value<br>@ 12-31-2020 |
|---|------------------------------|--------------------|--------------------------------------|
|    | Alliance Bernstein           | Small Cap Growth   | \$ 41,635,471                        |
|    | Aristotle Capital Management | Large Cap Value    | 50,548,407                           |
|    | Boston Partners              | Large Cap Value    | 49,022,392                           |
|    | RBC Global Asset Management  | Small Cap Growth   | 41,916,944                           |
|  | State Street Global Advisors | Small Cap Value    | 61,318,678                           |
|  | State Street Global Advisors | Large Cap Core     | 211,590,968                          |
| <b>Total Portfolio Fair Value:</b>  |                              |                    | <b>\$ 456,032,860</b>                |

## International Equity Portfolio

As of December 31, 2020, the international equity portfolio had approximately \$199.1 million in net positions, representing 11.26% of the Fund portfolio. Two of the three actively managed international equity managers are benchmarked against the MSCI EAFE index, which includes the developed markets of Europe, Australia and the Far East. The third international equity manager is benchmarked against the MSCI World Ex US Small Cap index.

### International Equity Portfolio

As of December 31, 2020



The primary strategy is to invest in international equity funds to achieve consistent, positive real returns and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation.

**Style** – The Board intends for a group of managers employing various strategies to invest assets in a well-diversified portfolio of Non-U.S. developed market equity securities. This group consists of a broad range of styles and approaches including: core international products, top-down country selectors, bottom-up security selectors, capitalization ranges, growth and value-oriented products and products using various mixtures of these strategies. Certain investment managers may have a guideline up to 20% exposure in emerging markets.

**Portfolio Risks** – International assets are subject to additional risks such as changes in foreign currency exchange markets and the environment in which the trading of these securities and associated financial reporting are governed. Differences between reporting standards across jurisdictions also adds to the complexity of these markets.

**Portfolio Returns** - During the fiscal year, international equity returned 11.32% outperforming the benchmark by 350 basis points. Morgan Stanley International and Gryphon International outperformed their respective benchmark in 2020.

(Continued)





On a three, five and ten-year basis through December 31, 2020, the international equity portfolio has returned 4.69%, 8.27% and 6.50% compared to the MSCI EAFE benchmark, which returned 4.28%, 7.45% and 5.51% respectively.

The top ten holdings in the international equity portfolio at December 31, 2020 are illustrated below. A complete listing of holdings is available upon request.

| Shares               | Stock                       | Market Value (\$000's) | % of fair value |
|----------------------|-----------------------------|------------------------|-----------------|
| 50,032               | ZALANDO SE                  | \$ 5,574               | 2.80%           |
| 2,266                | ADYEN NV                    | 5,282                  | 2.65            |
| 7,100                | KEYENCE CORP                | 3,989                  | 2.00            |
| 45,800               | TENCENT HOLDINGS LTD        | 3,331                  | 1.67            |
| 209,738              | ENTAIN PLC                  | 3,250                  | 1.63            |
| 46,900               | NIHON M+A CENTER INC        | 3,134                  | 1.57            |
| 233,400              | AIA GROUP LTD               | 2,860                  | 1.44            |
| 78,565               | HOUSING DEVELOPMENT FINANCE | 2,751                  | 1.38            |
| 21,500               | NIDEC CORP                  | 2,703                  | 1.36            |
| 109,418              | TITAN CO LTD                | 2,347                  | 1.18            |
| <b>Total Top Ten</b> |                             | <b>\$ 35,221</b>       | <b>17.68%</b>   |

The MBTA Retirement Fund's international equity managers at December 31, 2020 are presented in the following table:

|   | Manager                                | Investment Mandate | Portfolio Fair Value<br>@ 12-31-2020 |
|---|--|--------------------|--------------------------------------|
|  | Gryphon International Investment Corp. | Growth             | \$ 64,596,283                        |
|  | Morgan Stanley Investment Management   | Large Value        | 97,654,254                           |
|  | Principal Global Investors             | Small Cap          | 36,857,732                           |
| <b>Total Portfolio Fair Value:</b>  |  |                    | <b>\$ 199,108,269</b>                |

**Global Equity and Emerging Market Portfolio**

As of December 31, 2020, the global equity and emerging markets portfolio had approximately \$164.2 million or 9.29% of MBTA Retirement Fund's assets. There are two portfolios in this asset class: Sands Capital Management and PRIM Emerging Market. The MBTA Retirement Fund measures Sands Global Growth performance against the MSCI ALL Country World Index a benchmark comprised of stocks from 50 different countries including 23 countries classified as developed markets (including the United States) and 27 countries that are considered emerging markets. The Fund measures the PRIM Emerging Market portfolio against the MSCI Emerging Markets Index which captures large and mid-cap representation across 27 emerging markets countries.

**Portfolio Composition** - The portfolio invests a significant percentage of its assets in foreign securities traded on foreign exchanges including the use of derivatives (e.g. LEPOS and p-notes) to gain access to certain foreign markets. The global growth manager is granted full discretion to buy, sell, invest and reinvest its portion of the Fund's assets in stocks contained within the MSCI ALL Country World Index. The maximum allocation to emerging markets is three times the benchmark sector weighting or approximately 30% of the portfolio. The investment objective of the global equity and emerging markets portfolio is to achieve consistent, positive real returns and to maximize long term total return within prudent levels of risk through a combination of income and capital appreciation.

As of December 31, 2020, the Sands Capital, global and emerging markets portfolio's country and regional exposures included a 83% allocation to developed market stocks, which included a 50% allocation to U.S. stocks, and an approximately 15% allocation to emerging, markets stocks, which included a 5% allocation to holdings in India.

**Portfolio Risks** – In addition to providing the potential for higher expected returns, emerging markets generally expose investors to higher expected risks due their susceptibility to more volatile economic conditions, potential political instability and, in some cases, an absence of a mature system of corporate governance. These investments also carry all the risks associated with domestic and developed market investments.

(Continued)

**Portfolio Returns** - During the fiscal year, the Global Equity and Emerging Markets portfolio returned 49.72%. Sands Global Growth returned 50.43%, outperforming the benchmark by 34.18%. The MBTA Retirement Fund allocated \$30 million to PRIM Emerging Markets Equity segmentation in August of 2020 and therefore a one-year investment performance is not yet available. On a three and five-year basis through December 31, 2020, the global equity and emerging market portfolio has returned 24.16% and 21.85% compared to the MSCI All Country World Index, which returned 10.06% and 12.26% respectively. Due to the fact the MBTA Retirement Fund began investing in this asset class in October 2012, the investment manager's results do not yet include the ten-year period.

The top ten holdings in the global equity and emerging market portfolio at December 31, 2020 are illustrated below. A complete listing of holdings is available upon request.

| Shares               | Stock   | Market Value (\$000's) | % of fair value |
|----------------------|---|------------------------|-----------------|
| 34,557               | SEA LTD ADR ADR                               | \$ 6,879               | 4.19%           |
| 1,714                | AMAZON.COM INC COMMON STOCK USD.01            | 5,582                  | 3.40            |
| 50,032               | ZALANDO SE COMMON STOCK                       | 5,574                  | 3.39            |
| 25,346               | VISA INC CLASS A SHARES COMMON STOCK USD.0001 | 5,544                  | 3.38            |
| 2,266                | ADYEN NV COMMON STOCK EUR.01                  | 5,282                  | 3.22            |
| 10,746               | ASML HOLDING NV NY REG SHS NY REG SHRS EUR.09 | 5,241                  | 3.19            |
| 33,539               | NIKE INC CL B COMMON STOCK                    | 4,745                  | 2.89            |
| 4,021                | SHOPIFY INC CLASS A COMMON STOCK              | 4,552                  | 2.77            |
| 2,440                | MERCADOLIBRE INC COMMON STOCK USD.001         | 4,088                  | 2.49            |
| 7,100                | KEYENCE CORP COMMON STOCK                     | 3,989                  | 2.43            |
| <b>Total Top Ten</b> |   | <b>\$ 51,476</b>       | <b>31.35%</b>   |

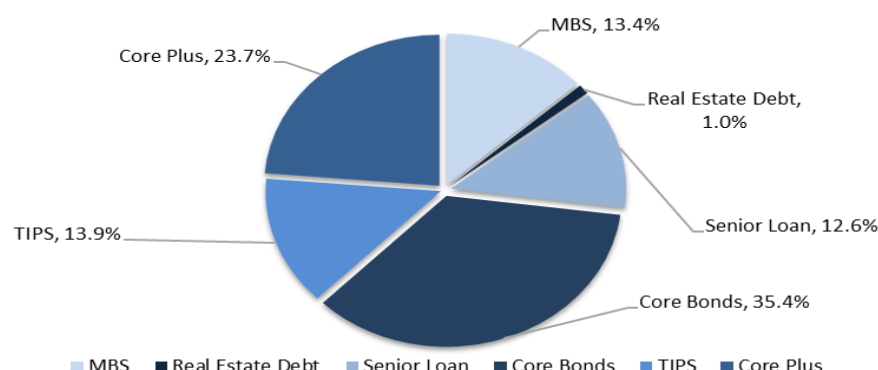
The MBTA Retirement Fund's global equity and emerging market manager at December 31, 2020 is presented in the following table:

|   | Manager                                | Investment Mandate | Portfolio Fair Value<br>@ 12-31-2020 |
|---|--|--------------------|--------------------------------------|
|  | Pension Reserves Investment Management | Emerging           | \$ 36,889,560                        |
|  | Sands Capital Management               | Growth             | 127,343,358                          |
| Total Portfolio Fair Value:   |  |                    | \$ 164,232,918                       |

### Fixed Income Portfolio

As of December 31, 2020, the fixed income portfolio had approximately \$404.9 million in net positions, which represented 22.05% of the MBTARF portfolio. The Fund's fixed income portfolio is benchmarked against the Barclays Aggregate Bond Index, BC GOV/Credit, BC MBS, S&P/LSTA Leveraged Loan, BC U.S. TIPS and Barclays Multiverse.

**Fixed Income Portfolio**  
As of December 31, 2020



**Styles** - Fixed income managers serve in a specialist role managing debt securities. Domestic core fixed income managers' investments may include (i) U.S. dollar denominated obligations of the United States Government and its Agencies and instrumentalities, and U.S. corporations, (ii) mortgage-backed securities including CMOs and commercial mortgage backed securities ("CMBS"), (iii) Asset Backed Securities ("ABSs"), (iv) registered 144A securities if applicable, (v) municipal bonds, (vi) short term securities, (vii) securities of foreign companies or foreign countries (sovereigns or supranational) denominated in U.S. dollars, trading in the U.S. markets and capable of settlement in U.S. markets (Yankee bonds), and (viii) dollar denominated obligations of U.S. companies trading outside the U.S. ("Eurobonds").

**Portfolio Risk** - Risk in bond investments is primarily driven by changing interest rates which cause the value of these investments to fluctuate. The action of the Federal Reserve Bank of the United States through its monetary policy and through the monetary policy of other such institutions significantly affects interest rates. The risk of default is also associated with these investments and is measured by established credit rating firms. Default risks are subject to change.

**Portfolio Returns** - During the fiscal year, fixed income portfolio returned 7.66% outperforming the Barclays Aggregate Bond Index benchmark by 0.15%.

(Continued)

On a three, five and ten-year basis through December 31, 2020, the fixed income portfolio has returned 4.79%, 4.88% and 4.50% compared to the Barclays Aggregate Bond Index, which returned 5.34%, 4.44% and 3.84% respectively.

The top ten holdings in the fixed income portfolio at December 31, 2020 are illustrated below. A complete listing of holdings is available upon request.

| Shares               | Stock                                       | Market Value (\$000's) | % of fair value |
|----------------------|---|------------------------|-----------------|
| 6,122,000            | US TREASURY N/B<br>Due 07/31/2025 Rating NR | \$ 6,104               | 1.51%           |
| 4,720,000            | US TREASURY N/B<br>Due 11/30/2022 Rating NR | 4,721                  | 1.17            |
| 4,456,000            | US TREASURY N/B<br>Due 08/15/2040 Rating NR | 4,219                  | 1.04            |
| 3,100,879            | TSY INFL IX N/B<br>Due 01/15/2029 Rating NR | 3,644                  | 0.90            |
| 3,123,144            | TSY INFL IX N/B<br>Due 01/15/2026 Rating NR | 3,486                  | 0.86            |
| 3,075,334            | TSY INFL IX N/B<br>Due 01/15/2027 Rating NR | 3,432                  | 0.85            |
| 3,131,356            | TSY INFL IX N/B<br>Due 01/15/2024 Rating NR | 3,361                  | 0.83            |
| 2,967,894            | TSY INFL IX N/B<br>Due 07/15/2025 Rating NR | 3,260                  | 0.81            |
| 2,748,898            | TSY INFL IX N/B<br>Due 07/15/2028 Rating NR | 3,197                  | 0.79            |
| 2,880,297            | TSY INFL IX N/B<br>Due 01/15/2025 Rating NR | 3,108                  | 0.77            |
| <b>Total Top Ten</b> |   | <b>\$ 38,532</b>       | <b>9.53%</b>    |

(Continued)

The MBTA Retirement Fund's fixed income managers at December 31, 2020 are presented in the following table:

|   | Manager                      | Investment Mandate | Portfolio Fair Value<br>@ 12-31-2020 |
|---|------------------------------|--------------------|--------------------------------------|
|  AFL-CIO HOUSING INVESTMENT TRUST      | AFL-CIO Housing              | MBS                | \$ 54,135,939                        |
|                                        | Amalgamated Bank of New York | Real Estate Debt   | 4,163,480                            |
|  Eaton Vance<br>Investment Managers    | Eaton Vance                  | Senior Loan        | 51,090,701                           |
|  IR+M INCOME RESEARCH<br>+ MANAGEMENT  | Income Research & Management | Core Bonds         | 143,499,415                          |
|  IR+M INCOME RESEARCH<br>+ MANAGEMENT | IRM TIPS                     | TIPS               | 56,152,722                           |
|  LOOMIS   SAYLES                     | Loomis, Sayles & Company     | Core Plus          | 95,868,417                           |
| <b>Total Portfolio Fair Value:</b>  |                              |                    | <b>\$ 404,910,674</b>                |

**Real Estate Portfolio**

As of December 31, 2020, the MBTA Retirement Fund had \$140.4 million invested in real estate. The equity real estate program is comprised primarily of two separate but complementary investment strategies – core and specialty. Core investments include property types in multi-family housing, retail, industrial and office buildings. These assets are characterized by stable and increasing income levels and are located in major metropolitan areas which exhibit reasonable economic diversification. Specialty investments include property types in hotels, assisted-living and congregate care facilities. Specialty strategies enhance returns of assets capable of, but not currently, exhibiting core type characteristics.

**Objective** - The MBTA Retirement Fund's allocation to real estate equity is intended to enhance the return, risk and portfolio diversification characteristics of the Fund's total portfolio. It is anticipated that investments in equity real estate will, over a full market cycle, produce an income return that is in excess of the yield of an investment grade, core fixed income investment combined with some level of equity appreciation. In addition, it is expected that equity real estate will exhibit a lower correlation with traditional equity and fixed income securities.

**Portfolio Risk** - Real estate investments expose investors to risks. These include:

- Market risks that may be exacerbated by real estate's sensitivity to economic conditions and/or by the investment manager's utilization of leverage.
- Lower liquidity, especially for closed end, limited partnership and direct investments.
- Operational and credit risks that are higher than those of traditional investments.
- Valuation and appraisal lag which can be exacerbated in times of rapid price changes in the commercial real estate market.

**Leverage** – Leverage may be utilized at the discretion of the underlying real estate managers in a constrained manner, consistent with the commingled fund documents, in order to enhance

(Continued)

yields of the various investments and/or facilitate the diversification of the portfolio. The total level of debt for any single commingled fund investment is not expected to exceed seventy percent of the value of that fund. However, as a general guideline, the Fund's composite real estate portfolio shall never be more than fifty percent levered on an aggregate basis at any time.

**Real Estate Investment Strategies** - Private real estate equity strategies include core, core plus, value-added and opportunistic approaches. Core diversified funds have lower risk due to their limited use of leverage and broad diversification across multiple property types, geographic regions, and income generating assets (most properties in core portfolios are fully leased and generating income). Further out on the risk and return continuum, core plus, value-added and opportunistic funds have lower occupancy rates, utilize more leverage and include properties in the development and/or pre-development stage. Due to their higher risk, these strategies are expected to generate returns that exceed that of core real estate.

Open ended and closed end real estate investments are diversified by vintage year, investment manager, geographic region, property type and investment strategy. With respect to vintage year diversification, closed end funds are diversified due to the fact that they are designed to invest over specific, finite time periods, while open-end funds are diversified by definition (i.e. by virtue of always being open and investing in all time periods).

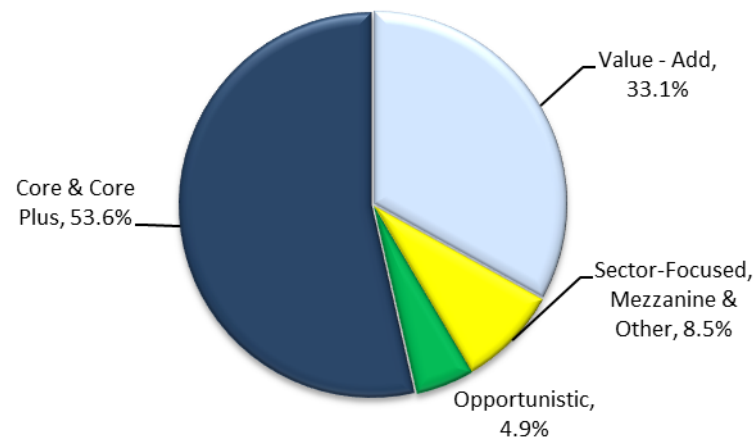
**Investment Strategy Allocations** - Of the MBTA Retirement Fund's 4 active closed end real estate funds, 1 fund with a total fair value of \$11.9 million is in the investing stage of their lifecycle; 2 funds accounting for \$6.7 million in fair value is in the harvesting stage, while 1 fund accounting for less than two hundred thousand in fair value is liquidating its underlying investments.

(Continued)



The MBTA Retirement Fund's investment strategy is diversified across closed and open-end funds as follows:

### Real Estate Investment Strategy



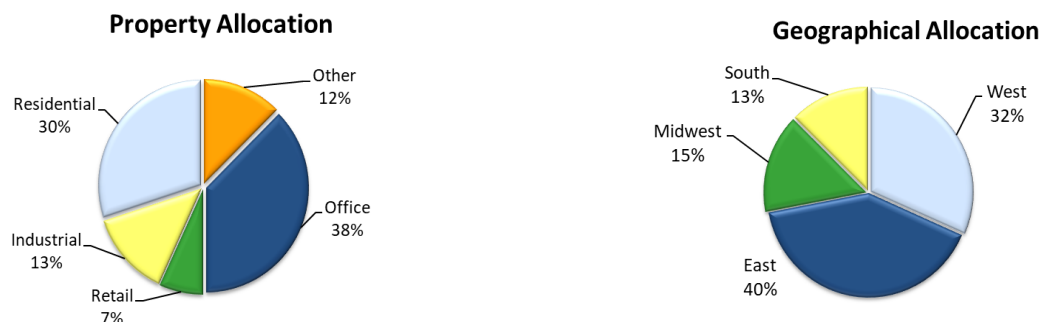
**Portfolio Returns** – The MBTARF real estate portfolio returned 1.19% during the year. The 3, 5 and 10 year returns for the real estate portfolio are 5.68%, 6.86%, and 10.77%, respectively. The NCREIF Benchmark returned 1.60% during the fiscal year. The benchmark's 3, 5, and 10-year returns are 4.89%, 5.91%, and 9.00%, respectively.

The MBTARF real estate portfolio received \$3.0 million in distributions during the year ended December 31, 2020, compared to the \$2.9 million in distributions received during 2019. The MBTARF's real estate managers called \$0.5 million of capital during 2020, compared to \$1.8 million of capital called during 2019. The net cash flow from the MBTARF's real estate portfolio for the year ended December 31, 2020 was a net cash inflow of \$2.5 million, compared to a net inflow of \$1.1 million for the year ended December 31, 2019.








(Continued)

## Geographic Diversification

The following charts illustrate the property type and geographic diversification of the closed end real estate portfolio:



The MBTA Retirement Real Estate managers at December 31, 2020 are presented in the following table:

| Manager   | Investment Mandate                | Portfolio Fair Value<br>@ 12-31-2020 |
|---|-----------------------------------|--------------------------------------|
|   | AFL CIO BLDG INVST TR             | Open Ended                           |
|   |                                   | \$ 16,667,032                        |
|  | COLONY INVESTORS VII LP           | Opportunistic                        |
|   |                                   | 157,200                              |
|  | INTERCONTINENTAL REAL ESTATE CORP | Open Ended                           |
|   |                                   | 20,372,842                           |
|  | JP MORGAN ASSET MANAGEMENT        | Open Ended                           |
|   |                                   | 46,508,864                           |
|  | BENTALL GREEN OAK                 | Open Ended                           |
|   |                                   | 38,127,768                           |
|  | PRUDENTIAL REAL ESTATE INVESTORS  | Sector Focused                       |
|   |                                   | 11,920,122                           |
|  | SIGULER GUFF & COMPANY            | Opportunistic                        |
|   |                                   | 6,695,062                            |
| <b>Total Portfolio Fair Value:</b>  |                                   | <b>\$ 140,448,890</b>                |

**Risk Parity / Diversified Beta Portfolio:**

As of December 31, 2020, the MBTA Retirement Fund had \$112.9 million invested in the risk parity portfolio, representing 5.70% of the total Fund. The Risk Parity managers utilizes a risk premium capture strategy that seeks to generate returns by investing in equity, bond and commodity markets using a risk-balanced investment process. Specifically, the managers select the appropriate assets for the strategy, allocates them based on their proprietary risk management and portfolio construction techniques, and then applies an active position process to improve expected returns.

The MBTA Retirement Fund invests in Risk Parity / Diversified Beta products because it provides the Fund with diversification and attractive returns. Additionally, the strategy provides daily liquidity, no lock-up, high capacity, and high transparency-all of which are attractive qualities for the Fund.


**Portfolio Risks** - Investments in Risk Parity / Diversified Beta are subject to various risks, including derivatives and leverage risk. The Risk Parity managers may invest a substantial portion of its assets in “derivatives” –so-called because their value “derives” from the value of an underlying asset, reference rate or index-the value of which may rise or fall more rapidly than other investments. The strategy invests principally in exchange-traded futures across a diverse mix of assets including equities, bonds and commodities. For some derivatives, it is possible to lose more than the amount invested in the derivative. If the portfolio uses derivatives to “hedge” a portfolio risk, it is possible that the hedge may not succeed. This may happen for various reasons, including unexpected changes in the value of the rest of the portfolio. Over the counter derivatives are also subject to counterparty risk, which is the risk that the other party to the contract will not fulfill its contractual obligation to complete the transaction with the Fund. The implementation of a risk parity strategy requires the use of leverage in order to increase the risk of the government bond allocation in the strategy so that it can be balanced against the portfolio’s exposure to stocks and commodities. The use of derivatives facilitates the ability to create the desired level of leverage in the portfolio. Leverage may cause the portfolio to be more volatile than if the portfolio had not been leveraged because leverage can exaggerate the effect of any increase or decrease in the value of securities held by the portfolio.

(Continued)

**Portfolio Returns** - For the calendar year 2020, the Risk Parity / Diversified Beta portfolio returned 12.30% underperforming the asset class benchmark, (60% MSCI World Equity / 40% Barclays Aggregate Bond Index) by 1.01%.

On a three and five-year basis through December 31, 2020, the Risk Parity / Diversified Beta portfolio has returned 7.71% and 9.51% compared to its benchmark, which returned 8.88% and 9.34% respectively. The MBTA Retirement Fund began investing in this asset class in 2012. Due to this 10-year returns are not yet available.

The MBTA Retirement Fund's Risk Parity / Diversified Beta managers at December 31, 2020 are presented in the following table:

| Manager   |                           | Investment Mandate | Portfolio Fair Value<br>@ 12-31-2020 |
|---|---------------------------|--------------------|--------------------------------------|
|  | Invesco                   | Diversified Beta   | \$ 60,219,782                        |
|  | PanAgora Asset Management | Risk Parity        | 52,727,619                           |
| <b>Total Portfolio Fair Value:</b>  |                           |                    | <b>\$ 112,947,401</b>                |

**Fund of Hedge Fund Portfolio**

As of December 31, 2020, the MBTARF's fund of hedge fund portfolio held \$56.6 million in net positions, which represented 3.20% of the total MBTARF portfolio. The objective of the MBTARF's hedge fund program is to reduce the volatility of the total fund while attempting to maximize returns in a variety of market conditions. As a group of strategies, hedge funds represent a broad set of investment styles, mandates, and products that focus primarily on the liquid equity, fixed income, and derivatives markets, but that may also include allocations to non-traditional investments, including illiquid securities and investments. There are two primary methods for investing in hedge funds: funds of hedge funds, and single manager funds. The MBTARF primarily utilizes funds of hedge funds in an effort to significantly reduce risk through diversification.

**Portfolio Risks** - Hedge Funds are subject to various risks inherent in this strategy. Fluctuations in the markets can create market risk. Credit risk due to the fixed income nature of hedge fund strategies. As the MBTARF is invested in fund of fund strategies, liquidity risk is present as managers unwind from underlying positions. Investing in hedge fund exposes operational risks in executing strategies and valuations of positions. The Fund monitors risk by enforcing the investment managers to provide exceptional levels of transparency.

**Portfolio Returns** - The MBTARF's fund of hedge fund portfolio returned 4.76% for the fiscal year. The MBTARF uses the CSFB/Tremont Hedge Fund Index as a benchmark for hedge fund performance. The benchmark returned 6.36% in the 2020 fiscal year. On a 3, 5, and 10-year basis, the MBTARF hedge fund portfolio returned 1.77%, 2.44%, and 3.01%, respectively. The benchmark returned 4.02%, 4.07%, and 3.81%, respectively, over the same 3, 5, and 10-year periods.

(Continued)

The MBTARF hedge fund portfolio has two active fund of hedge fund investment managers as of December 31, 2020.

|   | Manager                                | Investment Mandate | Portfolio Fair Value<br>@ 12-31-2020 |
|---|--|--------------------|--------------------------------------|
|  <b>PENSION RESERVES<br/>INVESTMENT<br/>MANAGEMENT BOARD</b> | Pension Reserves Investment Management | Fund of Funds      | \$ 20,601,139                        |
|    | The Rock Creek Group                   | Fund of Funds      | 35,996,398                           |
| <b>Total Portfolio Fair Value:</b>  |  |                    | <b>\$ 56,597,537</b>                 |

**Fund of Hedge Fund - Opportunistic Portfolio**

As of December 31, 2020, the MBTARF's fund of hedge fund - opportunistic portfolio held \$7.2 million in net positions, which represented 0.41% of the total MBTARF portfolio. While descriptions vary across investors, opportunistic investments generally encompass non-traditional investment strategies that seek to generate risk-adjusted returns by taking advantage of temporary market inefficiencies or dislocations arising from evolving market conditions, regulatory changes and other factors. Opportunistic investments generally do not fit into other asset class or strategy descriptions and may be viewed as tactical and time constrained. As compared to multi-strategy hedge funds, opportunistic investments generally exhibit higher expected returns, greater market risk, less liquidity and a higher level of concentration. Opportunistic managers may invest across asset classes (e.g. equity, debt, alternatives) and offer funds in different vehicles. Opportunistic investments may also come in the form of hedge funds or long-only investment strategies.


**Portfolio Risks** – Opportunistic Hedge Funds are subject to various risks inherent in this strategy. Depending on what form they take, opportunistic investments may expose an investor to a range of risks. These include:

- Market risks that impact the underlying value of investments held in underlying equity, fixed income and alternative investments.
- Market risks may include equity, interest rate or currency exchange rate risk and may be impacted by macroeconomic factors such as inflation expectation.
- Credit risk attributable to fixed income securities or private debt investments.
- Liquidity risks, especially for closed end, limited partnership and direct investments.
- Operational risks related to valuation processes, transaction processing, compliance, financial reporting and service providers.

(Continued)

**Portfolio Returns** - The MBTARF's opportunistic fund of hedge fund portfolio returned 11.47% for fiscal year 2020. The 3-year return for the opportunistic fund of hedge fund portfolio is 11.15%. The MBTARF uses the Bank of America/Merrill Lynch High Yield Index as a benchmark for performance, which returned 6.17% in 2020 and returned 5.86% for the 3-year period. The first full year the MBTA Retirement Fund began investing in this asset class was 2018. Due to this the 5 and 10-year returns are not yet available.

The MBTARF opportunistic hedge fund of fund portfolio held one active investment as of December 31, 2020. The manager is presented in the following table:

| Manager  |                                    | Investment Mandate            | Portfolio Fair Value<br>@ 12-31-2020 |                  |
|--|------------------------------------|-------------------------------|--------------------------------------|------------------|
|  <b>Hamilton Lane</b> | Hamilton Lane                      | Fund of Funds - Opportunistic | \$                                   | 7,188,062        |
|  | <b>Total Portfolio Fair Value:</b> |                               | \$                                   | <b>7,188,062</b> |



**Private Equity Portfolio**

As of December 31, 2020, the private equity portfolio had approximately \$152.7 million in net positions, which represented 8.64% of the MBTARF portfolio. The private equity portfolio is used to increase the expected long-term return of the MBTARF portfolio, while generating cash flow and providing diversification. The private equity portfolio is diversified among sub-classes which include: venture capital, growth equity, buyouts, mezzanine, secondary strategies, distressed, energy, and special situations. The MBTARF private equity portfolio is benchmarked to a State Street Customized Benchmark, which takes into account the portfolio's allocations to the various private equity sub-classes.

**Portfolio Risks** - Private equity does not lend itself to traditional quantitative measures of risk. Rather, risk is measured through a combination of quantitative and qualitative constraints. These risks include, but are not limited to, the following:

- **Liquidity risk:** Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity results in a discount to fair value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.
- **Vintage risk:** Vintage reflects the year of the first capital draw from a fund. Vintage risk refers to the variability of private equity commitments over time. Vintage risk is minimized by pacing investments to provide vintage year diversification.
- **Manager risk:** Manager risk consists of two elements: the exposure within an investment vehicle; and the number of managers in the private equity program. The exposure to a specific manager within an investment vehicle is controlled by limiting the commitment size to a specific investment vehicle. The optimum number of managers in the portfolio varies with time.
- **Firm risk:** Firm risk is the exposure to a private equity firm and is controlled by limiting the maximum commitment to funds actively managed by a firm and its affiliates.

(Continued)

- **Currency risk:** Currency risk is the risk that investments held in a foreign currency will change in value as a result of changes in the currency exchange rates. The private equity program accepts the currency risks consistent with the geographic constraints of the investment opportunity. Private equity investments generally do not hedge currency risk and the private equity program does not implement currency hedges.
- **Industry risk:** Typically, private equity funds are permitted to invest in a wide variety of industries with limited controls. Industry risk is controlled primarily through appropriate diversification across strategies and sub-strategies.
- **Geographic risk:** Geographic risk is controlled through a long-term, international target exposure. Global opportunities generally indicate geographic limits and exposure will be attributed and monitored accordingly.
- **Leverage risk:** Private equity managers invest capital throughout the capital structure of portfolio companies. The capital markets control the maximum leverage available to the private equity managers. Investors control leverage exposure through portfolio construction and private equity fund selection.

**Portfolio Returns** - The MBTARF's active private equity portfolio returned 31.10% during the fiscal year. The 3, 5 and 10 year returns for the private equity active portfolio are 16.03%, 13.04%, and 9.95%, respectively. The MBTARF's State Street Customized Benchmark returned 9.27% during the fiscal year. The benchmark's 3, 5, and 10-year returns are 9.88%, 10.41%, and 10.89%, respectively. The legacy portfolio, vintage years prior to 2005, returned 17.00% during the calendar year. The 3, 5 and 10 year returns for the private equity legacy portfolio are 22.14%, 1.88% and 0.92% respectively.

The MBTARF private equity portfolio received \$29.0 million in distributions during the fiscal year 2020, compared to \$25.5 million in the 2019 fiscal year. The private equity portfolio managers called \$14.8 million of capital during the fiscal year 2020, compared to \$12.6 million called in the 2019 fiscal year. The net cash flow from the private equity portfolio was an inflow of \$14.2 million in fiscal year 2020, compared to an inflow of \$12.9 million in fiscal year 2019.

(Continued)

The MBTA Retirement Fund's active private equity investment managers are reported in the summary below:

| Manager                           | Investment Mandate      | Portfolio Fair Value<br>12-31-2020 | Manager                         | Investment Mandate      | Portfolio Fair Value<br>12-31-2020 |
|-----------------------------------|-------------------------|------------------------------------|---------------------------------|-------------------------|------------------------------------|
| ASCENT VENTURES III               | Venture                 | 39,846                             | PHAROS CAPITAL PARTNERS III     | Growth Equity           | 7,888,145                          |
| BOSTON MILLENNIA II               | Venture                 | 154,453                            | PRIT PEVY 2020 VINTAGE          | Secondary Fund of Funds | 1,226,341                          |
| CRESCENDO IV                      | Venture                 | 31,993                             | SCP PARTNERS II                 | Venture                 | 493,098                            |
| CRESCENT MEZZ PARTNERS VIIB       | Mezzanine               | 3,210,164                          | SIGULER GUFF BRIC OPPN FDII     | Buyout                  | 1,776,238                          |
| EUROPEAN STRATEGIC II             | Buyout                  | 57,382                             | SIGULER GUFF DISTRESSED OPP III | Distressed              | 1,856,603                          |
| EUROPEAN STRATEGIC PARTNERS 2006B | Buyout                  | 3,020,264                          | SL CAPITAL ESF I                | Buyout                  | 5,025,963                          |
| EUROPEAN STRATEGIC PARTNERS 2008A | Buyout                  | 906,905                            | SL CAPITAL SOF II               | Secondary Fund of Funds | 3,198,318                          |
| GROSVENOR OPPOR CREDIT III        | Special Situations      | 472,047                            | STERLING CAPITAL PARTNERS       | Growth Equity           | 188,443                            |
| LAZARD TECHNOLOGY II              | Venture                 | 1,200,346                          | STERLING CAPITAL PARTNERS II    | Growth Equity           | 329,746                            |
| LEXINGTON CAPITAL PARTNERS VIB    | Secondary Fund of Funds | 618,183                            | STERLING CAPITAL PARTNERS III   | Growth Equity           | 380,033                            |
| LEXINGTON CAPITAL PTNRS VII       | Secondary Fund of Funds | 2,304,989                          | STERLING CAPITAL PARTNERS IV    | Growth Equity           | 2,342,068                          |
| LEXINGTON CAPITAL PTNRS VIII      | Secondary Fund of Funds | 8,049,616                          | SVB STRATEGIC INVESTORS VIII    | Venture                 | 9,546,365                          |
| LEXINGTON CAPITAL PTNRS IX        | Secondary Fund of Funds | 3,449,473                          | SVB CAPITAL PARTNERS II         | Venture                 | 1,017,374                          |
| LEXINGTON MID MARKET II           | Secondary Fund of Funds | 2,314,885                          | SVB CAPITAL PARTNERS III        | Venture                 | 12,962,686                         |
| LEXINGTON MID MARKET III          | Secondary Fund of Funds | 5,614,572                          | SVB STRATEGIC INVESTORS III     | Venture                 | 3,468,100                          |
| LEXINGTON MIDDLE MARKET           | Secondary Fund of Funds | 706,994                            | TCW CRESCENT MEZZANINE V        | Mezzanine               | 395,607                            |
| LEXINGTON MIDDLE MARKET IV        | Secondary Fund of Funds | 4,871,201                          | TOP TIER VENTURE VELOCITY FUND  | Secondary Fund of Funds | 5,315,939                          |
| NEW MOUNTAIN PARTNERS II          | Buyout                  | 58,830                             | VENTURE LENDING + LEASING IV    | Mezzanine               | 359,850                            |
| NEW MOUNTAIN PARTNERS III         | Buyout                  | 2,678,479                          | VENTURE LENDING + LEASING V     | Mezzanine               | 989,700                            |
| NEW MOUNTAIN PARTNERS IV          | Buyout                  | 4,943,755                          | VENTURE LENDING + LEASING VI    | Mezzanine               | 3,107,783                          |
| NEW MOUNTAIN PARTNERS V           | Buyout                  | 11,211,563                         | VENTURE LENDING + LEASING VII   | Mezzanine               | 5,081,925                          |
| OAKTREE MEZZANINE FUND - CLASS A  | Mezzanine               | 115,950                            | VENTURE LENDING + LEASING VIII  | Mezzanine               | 6,309,387                          |
| OAKTREE MEZZANINE FUND - CLASS B  | Mezzanine               | 6,017                              | VENTURE LENDING + LEASING IX    | Mezzanine               | 4,434,975                          |
| OPUS CAPITAL VENTURE PARTNERS V   | Venture                 | 3,610,881                          | WELLINGTON PARTNERS II          | Venture                 | 1,038,055                          |
| PHAROS CAPITAL                    | Growth Equity           | 849,265                            | WLR RECOVERY FUND V             | Special Situations      | 2,789,224                          |
| PHAROS CAPITAL II                 | Growth Equity           | 5,519,644                          | Z CAPITAL SPECIAL SIT. FD II    | Special Situations      | 5,172,419                          |
| Total Portfolio Fair Value        |                         |                                    |                                 |                         | <b>\$ 152,712,081</b>              |

## SCHEDULE OF TIME-WEIGHTED RETURNS BY ASSET CLASS\*

For the Period Ended December 31, 2020

| Portfolio                                      | Annualized Returns |          | Annual Returns |       |         |        |        |
|--|--------------------|----------|----------------|-------|---------|--------|--------|
|  | 3 - Year           | 5 - Year | 2020           | 2019  | 2018    | 2017   | 2016   |
| Total Fund                                     | 9.76               | 10.35    | 15.26          | 18.36 | (3.08)  | 15.80  | 6.88   |
| Policy Benchmark                               | 7.62               | 8.47     | 10.64          | 16.29 | (2.57)  | 12.60  | 7.42   |
| Taft Hartley - Median                          | 8.00               | 9.50     | 11.50          | 18.10 | (3.20)  | 14.30  | 7.50   |
| Domestic Equity Large Cap Composite            | 12.96              | 14.19    | 17.27          | 30.55 | (5.85)  | 22.04  | 10.39  |
| S&P 500 Index                                  | 14.18              | 15.22    | 18.40          | 31.49 | (4.38)  | 21.83  | 11.96  |
| Domestic Equity Small Cap Composite            | 13.80              | 15.47    | 23.15          | 29.15 | (7.34)  | 17.41  | 18.63  |
| Russell 2000 Growth Index                      | 16.20              | 16.36    | 34.63          | 28.48 | (9.31)  | 22.17  | 11.32  |
| Russell 2000 Value Index                       | 3.72               | 9.65     | 4.63           | 22.39 | (12.86) | 7.84   | 31.74  |
| Global Emerging Markets Composite              | 24.16              | 21.85    | 49.72          | 31.95 | (1.88)  | 39.87  | 1.63   |
| MSCI ALL Country World                         | 10.06              | 12.26    | 16.26          | 26.60 | (9.41)  | 23.97  | 7.86   |
| International Equity Composite                 | 4.69               | 8.27     | 11.32          | 22.93 | (16.14) | 30.91  | (0.96) |
| MSCI EAFE                                      | 4.28               | 7.45     | 7.82           | 22.02 | (13.79) | 25.62  | 1.00   |
| Fixed Income Composite                         | 4.79               | 4.88     | 7.66           | 7.08  | (0.20)  | 4.51   | 5.55   |
| Barclays Aggregate                             | 5.34               | 4.44     | 7.51           | 8.72  | 0.01    | 3.54   | 2.65   |
| Diversified Beta                               | 7.71               | 9.51     | 12.30          | 18.73 | (6.29)  | 11.67  | 12.90  |
| 60% MSCI World Eq / 40% BC Agg Bond            | 8.88               | 9.34     | 13.31          | 20.01 | (5.07)  | 14.52  | 5.71   |
| Hedge Funds                                    | 1.77               | 2.44     | 4.76           | 15.12 | (12.60) | 6.62   | 0.39   |
| CSFB/Tremont Hedge Fund Index                  | 4.02               | 4.07     | 6.36           | 9.31  | (3.19)  | 7.12   | 1.25   |
| Hedge Funds - Opportunistic                    | 11.15              | -        | 11.47          | 16.25 | 7.87    | 3.46   | -      |
| Bank of America/Merrill Lynch HY Index         | 5.86               | -        | 6.17           | 14.41 | (2.26)  | 1.31   | -      |
| Private Equity:                                |                    |          |                |       |         |        |        |
| Active Portfolio                               | 16.03              | 13.04    | 31.10          | 13.68 | 4.82    | 12.66  | 4.84   |
| Legacy Portfolio (vintage years prior to 2005) | 22.14              | 1.88     | 17.00          | 16.31 | 3.21    | (3.88) | (4.70) |
| State Street Customized Benchmark              | 9.88               | 10.42    | 9.27           | 12.38 | 8.70    | 17.59  | 10.61  |
| Real Estate Composite                          | 5.68               | 6.86     | 1.19           | 6.11  | 9.93    | 8.11   | 9.18   |
| NCREIF Property Index                          | 4.89               | 5.91     | 1.60           | 6.42  | 6.72    | 6.96   | 7.97   |

### Policy Benchmark:

|                                   |                                       |
|-----------------------------------|---------------------------------------|
| 17% S&P 500                       | 6% BBG Barclays Multiuniverse         |
| 7% Russell 2000                   | 3% BBG Barclays MBS                   |
| 9% MSCI EAFE                      | 8% State Street PE Index              |
| 2% MSCI World EX US Small Cap     | 2% State Street Private Credit        |
| 4% MSCI AC World Index Net        | 7% 91 T-Bill One Month Lag Plus 300BP |
| 4% MSCI Emerging Markets Index    | 9% NCREIF Property Index quarter lag  |
| 3% BBG Barclays US TIPS 1-10 year | 6% 91 T-Bill Pluss 300BP              |
| 8% BBG Barclays Aggregate         | 2% ICE BoFA US 3-Month T-Bill         |
| 3% S&P/LSTA                       |                                       |

\* All return information is gross of fees, except hedge funds, which are net of fees. Returns are calculated on a time-weighted rate of return methodology.

## Investment Summary at Fair Value

As of December 31, 2020

|                                    | <u>Fair Value</u> | <u>% of Fair Value</u> |
|------------------------------------|-------------------|------------------------|
| <b>Short-Term:</b>                 |                   |                        |
| Cash and cash equivalents*         | \$ 67,584,788     | 3.82%                  |
| <b>Fixed Income:</b>               |                   |                        |
| U.S. Agencies                      | 4,154,608         | 0.23                   |
| US Treasury                        | 96,217,874        | 5.44                   |
| Domestic fixed income              | 238,316,674       | 13.48                  |
| International fixed income         | 415,661           | 0.02                   |
| Asset Backed                       | 71,004,941        | 4.02                   |
| <b>Equity:</b>                     |                   |                        |
| Domestic equity securities         | 551,291,211       | 31.18                  |
| International equity securities    | 269,248,015       | 15.23                  |
| <b>Real Estate</b>                 | 140,448,890       | 7.94                   |
| <b>Private Equity</b>              | 152,712,081       | 8.64                   |
| <b>Risk Parity</b>                 | 112,947,401       | 6.39                   |
| <b>Hedge Funds</b>                 | 56,597,537        | 3.20                   |
| <b>Hedge Funds - Opportunistic</b> | <u>7,188,062</u>  | <u>0.41</u>            |
| Total Investments                  | \$ 1,768,127,743  | 100.00%                |

\*Investment manager's cash holdings are reported in cash and cash equivalents

## SUMMARY SCHEDULE OF BROKER COMMISSION

(Top 25 Brokers and Cumulative Fees Paid to Others)

Year Ended December 31, 2020

| Brokerage Firm                     | Shares/Par Value     | Fees Paid      | % Total     | Average \$ per share |
|------------------------------------|----------------------|----------------|-------------|----------------------|
| MORGAN STANLEY CO INCORPORATED     | 530,840 \$           | 14,370         | 8.34%       | 0.0271               |
| GOLDMAN SACHS + CO LLC             | 566,327              | 12,833         | 7.44%       | 0.0227               |
| CREDIT SUISSE SECURITIES (USA) LLC | 440,813              | 11,319         | 6.57%       | 0.0257               |
| RBS SECURITIES INC.                | 680                  | 8,173          | 4.74%       | 12.0187              |
| EXANE S.A.                         | 558,369              | 5,751          | 3.34%       | 0.0103               |
| DAIWA SECURITIES AMERICA INC       | 436,936              | 5,665          | 3.29%       | 0.0130               |
| J P MORGAN SECURITIES INC          | 216,851              | 4,899          | 2.84%       | 0.0226               |
| JEFFERIES + COMPANY INC            | 371,227              | 4,690          | 2.72%       | 0.0126               |
| J.P. MORGAN SECURITIES LLC         | 181,854              | 4,341          | 2.52%       | 0.0239               |
| MERRILL LYNCH INTERNATIONAL        | 531,703              | 4,125          | 2.39%       | 0.0078               |
| STOCK DISTRIBUTION                 | 83,504               | 3,865          | 2.24%       | 0.0463               |
| BOFA SECURITIES, INC.              | 127,161              | 3,730          | 2.16%       | 0.0293               |
| CITIGROUP GLOBAL MARKETS INC.      | 213,413              | 3,439          | 2.00%       | 0.0161               |
| REDBURN (EUROPE) LIMITED           | 247,622              | 3,400          | 1.97%       | 0.0137               |
| MIZUHO SECURITIES USA INC          | 91,402               | 3,364          | 1.95%       | 0.0368               |
| CANADIAN IMPERIAL BANK OF COMMERCE | 49,007               | 3,207          | 1.86%       | 0.0654               |
| WELLS FARGO SECURITIES, LLC        | 61,750               | 2,637          | 1.53%       | 0.0427               |
| CACEIS BANK                        | 83,753               | 2,614          | 1.52%       | 0.0312               |
| JOH. BERENBERG, GOSSLER & CO. KG   | 76,328               | 2,475          | 1.44%       | 0.0324               |
| CANACCORD GENUITY CORP.            | 93,742               | 2,412          | 1.40%       | 0.0257               |
| MIRABAUD SECURITIES LLP            | 113,107              | 2,309          | 1.34%       | 0.0204               |
| HSBC SECURITIES (USA) INC.         | 109,378              | 2,262          | 1.31%       | 0.0207               |
| CLSA AUSTRALIA PTY LTD             | 252,575              | 2,121          | 1.23%       | 0.0084               |
| WILLIAM BLAIR & COMPANY L.L.C      | 59,286               | 2,112          | 1.23%       | 0.0356               |
| CITIGROUP GLOBAL MARKETS LIMITED   | 225,480              | 2,108          | 1.22%       | 0.0093               |
| OTHER                              | 5,558,079            | 54,149         | 31.41%      | 0.0097               |
| <b>TOTAL</b>                       | <b>11,281,187 \$</b> | <b>172,372</b> | <b>100%</b> | <b>0.0153</b>        |

The Fund Board has a commission recapture agreement with Capital Institutional Services, Inc. For the year ended December 31, 2020 the Fund earned approximately \$1,400 from the commission recapture program.

**SCHEDULE OF DIRECT MANAGEMENT FEES**

Year Ended December 31, 2020

| <b>Investment Management Fees by Asset Class:</b> | <b>AUM<br/>(\$000s)</b> | <b>Fees<br/>(\$000s)</b> |
|---|-------------------------|--------------------------|
| Domestic Equity                                   | \$ 551,291              | \$ 1,016                 |
| International Equity                              | 269,248                 | 1,139                    |
| Global Equity                                     | 127,343                 | 791                      |
| Fixed Income                                      | 410,110                 | 690                      |
| Risk Parity / Diversified Beta                    | 112,947                 | 200                      |
| Real Estate                                       | 120,567                 | 854                      |
| <b>Total Investment Management Fees</b>           |                         | <b>4,690</b>             |
| Investment Advisory (Consulting) Fees             |                         | \$ 344                   |
| Communications and Governmental Services          |                         | 146                      |
| Custodian Fees                                    |                         | 725                      |
| Total Other Fees                                  |                         | 1,215                    |
| Total Direct Management Fees charged to MBTARF    |                         | <u>\$ 5,905</u>          |

## INVESTMENT POLICY STATEMENT

The following are significant fundamentals of the Fund's Investment Policy Statement. The policy delineates the objectives and policies that have been established by the Board to provide a framework for the on-going management of the Fund. It is designed to clearly communicate the directives of the Board to all interested parties. The Policy shall be revised from time to time, as deemed necessary, and will be reviewed annually to ensure its relevance to the Fund's current needs. Any resulting material changes will be communicated to all affected parties. The Policy will apply to the Fund on an aggregate basis.

The purpose of this Investment Policy Statement (this "IPS") is to enumerate for stakeholders clear and concise guidelines by which the Retirement Board administers the Fund. This IPS is designed to allow sufficient flexibility to capture investment opportunities while providing guidance to facilitate compliance with the governing documents of the Fund and Massachusetts law. The Retirement Board periodically reviews this IPS to ensure that it conforms with best practices applicable to the Fund.

In fulfilling the mission of the Trust, the objective of the Retirement Board is to ensure the availability of sufficient assets to pay benefits by achieving the highest level of investment performance compatible with acceptable levels of risk in a cost-effective manner and prudent investment practices in order to lower costs. Specifically, in order to maintain if not improve upon its funded status, the Retirement Board seeks to meet or exceed the actuarial target rate of return. Maintaining if not exceeding the Assumed Rate of Return should have the benefit of stabilizing employer and employee contributions to the Fund. The Fund shall have a risk tolerance consistent with that of other funds created for similar purposes, and the assets of the Fund shall be invested accordingly. The Fund has adopted a Risk Management Framework. As a mature defined benefit plan, the Fund will have a negative cash flow as more participants retire which, in turn, impacts the Fund's tolerance for market volatility.

The Fund's investment program is based on the precepts of the generally accepted capital markets theory followed by institutional investors who, by definition, are long-term-oriented investors with goals and objectives that are similar to the Fund. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time and therefore, prudent risk-taking is justifiable for long-term investors.
- Risk can be mitigated through diversification of asset class exposure, implementation strategies and individual security holdings.

(Continued)



- Diversification benefits shall be measured by examining the correlation between asset classes, implementation strategies and manager styles, with a goal of maximizing diversification and limiting concentration and overlap in asset classes and strategies that are more highly correlated.
- The primary determinant of long-term investment performance is the strategic or long-term asset allocation strategy.

***Rate of Return Assumption***

The Retirement Board will, with the assistance of the Actuary and Investment Advisor, establish and annually review the Assumed Rate of Return and may adopt changes over a market cycle or more frequently if warranted. The current Assumed Rate of Return is 7.25% annually, net of all fees and operating expenses.

***Relative Return Objectives***

The Fund shall seek to achieve a rate of return that ranks in the top half of the appropriate peer fund universes given a comparable level of risk and to achieve a long-term rate of return on investments that is equal to or exceeds both the Asset Allocation Index Return and the Policy Index Return. Given its investment philosophy, the Retirement Board recognizes that the return targets may not be achieved in any single year; the Retirement Board will measure the performance of the Fund over an appropriate longer-term horizon.

***Current Asset Allocation Targets & Ranges***

Asset allocation herein refers to the establishment of relative percentage allocation guidelines for the investment of assets in equities, fixed income, alternative investments, cash equivalents, and other general forms of investment, and not to individual security selection. This single decision is the most important consideration for the Board. In terms of direct impact on the Fund's performance, the Fund's policy asset mix choice outweighs all other decisions. As a practical matter, the Board understands that while important, portfolio structure decisions and active management strategies involving stock and bond selection, sector weighting, or market timing have been shown to contribute less than long-term asset allocation decisions.

It is generally recognized that asset allocation decisions may account for up to 90% of the investment return for a large pool of assets; in terms of direct impact on the Fund's performance, the Fund's policy asset mix choice outweighs all other decisions. The Retirement Board shall manage the Fund to achieve the Assumed Rate of Return while adhering to fiduciary obligations and ensuring liquidity sufficient to pay benefits.

(Continued)

Factors to be considered include:

- (1) the Fund's assumed rate of return,
- (2) the risk tolerance of the Board,
- (3) the Fund's liquidity requirements,
- (4) Funded status,
- (5) the Fund's liability structure and other characteristics unique to the fund. Following an asset allocation review which considered the impact of a range of asset allocation policies on the Fund.

The Board will review the asset allocation targets at least annually, and may adopt changes over a three- to five-year time horizon or, more frequently, if significant changes occur within the economic or capital market environments. A change in the Fund's liability structure, funded status, or long-term investment prospects may also trigger a revision of the asset allocation.

The Fund may have the opportunity to invest in PRIT. If the Fund invests with a PRIT Segmentation Program, the Investment Advisor will, at the time of the investment is being considered by the Retirement Board, suggest to the Retirement Board allocations to the Fund's asset (sub)classes (if necessary), recognizing that a PRIT Segmentation Account may not fit uniformly into the Fund's asset allocation rubric; this assignment will impact the IM Benchmark(s) applicable to the PRIT Segmentation Account.

### ***Performance Benchmarks***

**Total Fund Return:** The Total Fund Return shall be compared against other corporate, jointly trusted and public pension plans of similar size and circumstances, as identified by the Investment Advisor. The Total Fund Return objective is to meet or exceed the Allocation Index Return and the Policy Index Return, which are each described below.

**Allocation Index:** The Allocation Index Return shall measure the success of the Fund's current allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the actual percent allocated to each asset class. The difference between the Allocation Index Return and the Total Fund Return measures the effect of active management. If the Total Fund Return is greater than the Allocation Index Return, then active management has in aggregate added value.

**Policy Index:** The Policy Index Return shall measure the success of the Fund's target asset allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the percent targeted to each asset class. The difference between the Allocation Index Return and the Policy Index Return measures the effects of deviating from the target allocation. If the Allocation Index Return is greater than the Policy Index Return, then deviating from the target allocation has added value. If the Allocation Index Return is less than the Policy Index Return, then deviating from the target allocation has not added value.

(Continued)

**Manager Benchmarks:** The Investment Managers shall be compared to a combination of passively managed index returns matching the managers' specific investment styles, as well as the median manager in their appropriate peer group universe.

***Rebalancing***

The actual asset allocation mix will deviate from the targets due to market movements, cash flows, and manager performance. The Retirement Board and Executive Director with the assistance of the Investment Advisor will review asset allocation at least quarterly to determine compliance with the targets and rebalance as warranted. The Executive Director shall report material rebalancing activity to the Retirement Board.

# **ACTUARIAL SECTION**

(Unaudited)

Buck Global, LLC has performed a December 31, 2020 actuarial valuation of the MBTA Retirement Fund. This valuation and report was prepared using generally accepted actuarial principles and practices and meets the parameters set by the Governmental Accounting Standards Board (GASB). To the best of our knowledge, this report is complete and accurate, and the assumptions used represent our best estimate of anticipated experience of the Fund.

Buck Global, LLC has prepared and included as part of this report all of the supporting schedules in the Actuarial Section of the Annual Comprehensive Financial Report (ACFR).



500 Plaza Drive  
Secaucus, NJ 07096

May 25, 2021

Retirement Board  
Massachusetts Bay Transportation Authority Retirement Fund  
One Washington Mall, Fourth Floor  
Boston, MA 02108

Dear Board Members:

The Pension Agreement covering the Massachusetts Bay Transportation Authority Retirement Fund provides that the actuary make annual actuarial valuations of the Fund and certify rates of contribution to the Retirement Board. The most recent actuarial valuation of the Fund was prepared as of December 31, 2020.

This valuation reflects the funding policy adopted by the Board effective December 31, 2009. The actuarial cost method used is the entry age normal cost method. The amortization of the unfunded liability is made in installments increasing at the rate of four percent per year over a closed 30-year period beginning December 31, 2009.

This valuation is based on assumptions adopted by the Retirement Board, in April 2019 and effective with the actuarial valuation of December 31, 2018, on the basis of an experience study covering the period January 1, 2013, through December 31, 2017. In April 2020, the Board voted to change the assumed annual rate of return on assets to 7.25% in connection with a revision of the Fund's investment policy. We believe that these assumptions are reasonable. The assumptions and methods used for funding purposes satisfy the requirements of all applicable Actuarial Standards of Practice. The same actuarial assumptions are used for financial reporting by and for the Fund under GASB Statements 67 and 68.

We performed the valuation using participant data and plan asset data supplied by the Authority and Retirement Fund. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. The accuracy of the results of the valuation is dependent on the accuracy of the data.

The following exhibits from the valuation report were incorporated in the Actuarial Section of the Annual Comprehensive Financial Report (ACFR):

1. Summary of Principal Results
2. Number and annual retirement allowances of retired members, disabled members and beneficiaries as of December 31, 2020
3. Schedule of Funding Progress
4. Outline of Actuarial Assumptions and Methods

(Continued)

5. Summary of Main Provisions of the Fund as Interpreted for Valuation Purposes
6. Number and Annual Compensation of Active Members Distributed by Fifth Age and Service as of December 31, 2020
7. Number and Annual Retirement Allowances Distributed by Age as of December 31, 2020

The following exhibits were separately prepared by Buck for use in the ACFR:

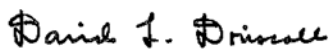
1. Schedule of Retired Members and Beneficiaries Added to and Removed From Rolls
2. Solvency Test

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of the valuation. However, in accordance with the requirements of ASOP 51, a risk assessment is provided in Section X of the valuation report.

Where presented, references to “funded ratio” and “unfunded accrued liability” are typically measured on an actuarial value of assets basis. It should be noted that recomputation of these measurements using the fair value of assets would result in different funded ratios and unfunded accrued liabilities. Moreover, the funded ratio presented is appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the plan if the plan were to settle (i.e., purchase annuities to cover) a portion or all of its liabilities.

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the Academy to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and I am available to answer questions about it.

Buck Global, LLC (Buck)



David L. Driscoll, FSA, EA, MAAA, FCA  
Principal, Consulting Actuary

## Section II - Summary of Principal Results

1. The principal results of the current and preceding years' valuations are summarized below:

| Valuation Date  | December 31, 2019  | December 31, 2020  |
|---|--------------------|--------------------|
| Number of active members  | 5,507              | 5,674              |
| Annual compensation of all members                                | \$ 436,828,077     | \$ 460,921,559     |
| Annual compensation of active members below normal retirement age | \$ 433,576,596     | \$ 456,929,998     |
| Average age (years)   | 47.86              | 47.99              |
| Average service (years)   | 10.65              | 10.66              |
| Average compensation  | \$ 79,322          | \$ 81,234          |
| Number of active members not accumulating creditable service      | 390                | 342                |
| Number of retired members, beneficiaries and disabled members     | 6,813 <sup>1</sup> | 6,710 <sup>2</sup> |
| Annual retirement allowances                                      | \$ 222,551,908     | \$ 222,107,742     |
| Assets for funding purposes                                       | \$ 1,561,192,531   | \$ 1,636,054,386   |
| Unfunded accrued liability  | \$ 1,459,917,828   | \$ 1,419,068,994   |
| Contribution rates required:                                      |                    |                    |
| Normal  | 12.0000%           | 12.1300%           |
| Accrued liability   | 22.9900%           | 22.0200%           |
| Expenses  | 1.0000%            | 1.0000%            |
| Total required rate   | 35.9900%           | 35.1500%           |
| Member excess rate  | 0.0000%            | 0.0000%            |
| Actual contribution rate during following fiscal year             | 35.9900%           | 35.1500%           |

2. Valuation results as of December 31, 2020, are given in Section VI, and contribution levels are set forth in Section VII.
3. Schedule B of this report outlines the actuarial assumptions and methods used in the valuation. The actuarial assumptions were selected on the basis of an experience study covering the five-year period ending December 31, 2017. The Retirement Board voted to adopt these assumptions in April 2019. In addition, the Retirement Board changed the assumed interest rate used in funding calculations from 7.50% to 7.25%, effective with the December 31, 2019 valuation.
4. Schedule C of this report presents a summary of the main provisions of the Fund, as interpreted in preparing the actuarial valuation.

<sup>1</sup> Includes 6,678 retirees and beneficiaries and 135 individuals receiving payments under QDROs.

<sup>2</sup> Includes 6,576 retirees and beneficiaries and 134 individuals receiving payments under QDROs.



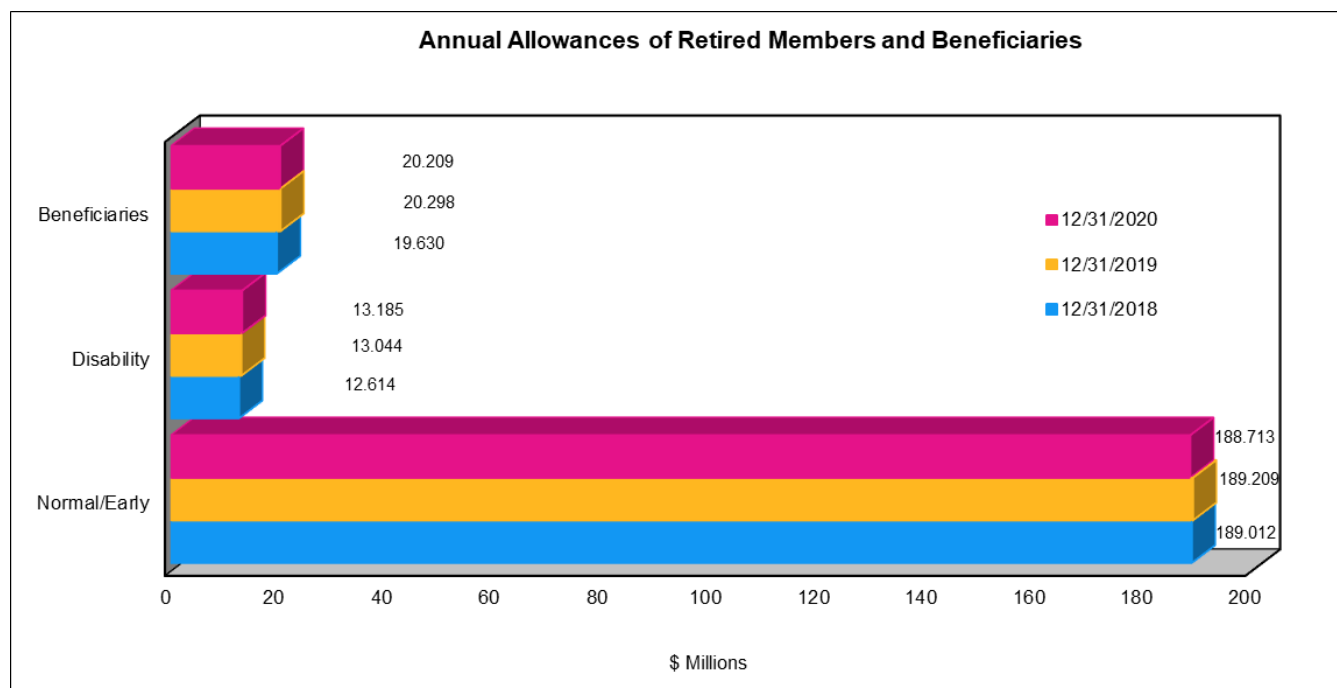
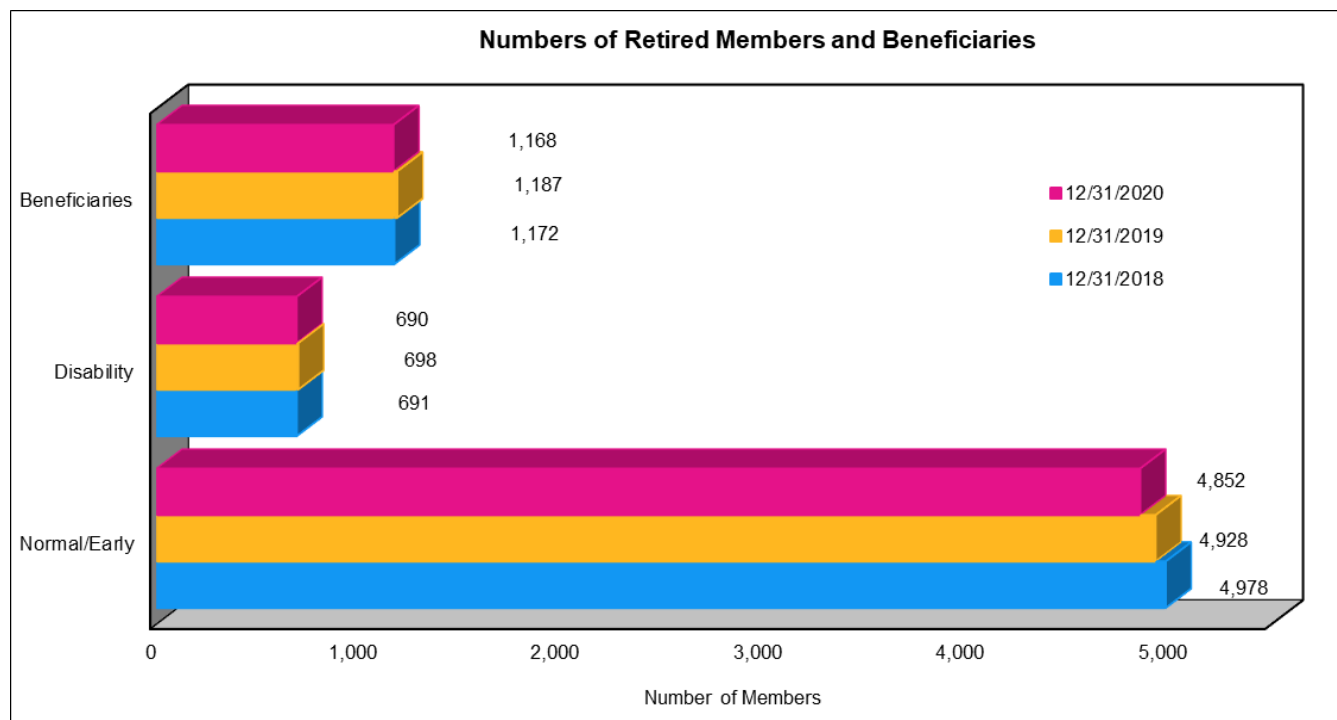
## Section III - Membership Data

1. Employee data were furnished by the Authority and Retirement Fund.
2. Table 1 of Schedule D shows the number and annual compensation of active members, while Table 2 of Schedule D shows the number and annual retirement allowances of retired members, disabled members and beneficiaries.
3. The following table summarizes the number and annual retirement allowances of retired members, disabled members and beneficiaries as of December 31, 2020:

| Category  | Number       | Annual Retirement Allowances |
|---|--------------|------------------------------|
| Benefits to Members Retired on Normal, Early Normal and Reduced Early Retirement Allowances | 4,852        | \$ 188,713,249               |
| Benefits to Members Retired on Disability Retirement Allowances                             | 690          | 13,185,328                   |
| Benefits to Beneficiaries of Deceased Members <sup>1</sup>                                  | <u>1,168</u> | <u>20,209,165</u>            |
| Total   | 6,710        | \$ 222,107,742               |

<sup>1</sup> Includes individuals receiving payments under QDROs.

## Section III - Membership Data (continued)



## Section IV - Assets

1. Asset information was obtained from the Retirement Fund office.
2. The fair value of the Fund's net positions available for benefits as of December 31, 2020, amounted to \$1,769,941,276.
3. The asset method is a five-year phase-in smoothing method under which the value of assets for actuarial purposes equals fair value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the fair value of assets by more than 20%. The smoothing method used to calculate the value of assets for actuarial purposes was restarted as of December 31, 2013, coincident with the change to the present method.
4. The calculation of the actuarial value of assets as of December 31, 2020 is presented below:

|                                    |               |     |
|------------------------------------|---------------|-----|
| Fair value as of December 31, 2020 | 1,769,941,276 | (A) |
|------------------------------------|---------------|-----|

Adjustment to recognize asset gains (losses) over 5 years:

| Year Ending | Asset gain (loss) | X | Adjustment factor | = | Adjustment        |
|-------------|-------------------|---|-------------------|---|-------------------|
| 12/31/2020  | 114,287,041       |   | 0.80              |   | 91,429,633        |
| 12/31/2019  | 148,351,928       |   | 0.60              |   | 89,011,157        |
| 12/31/2018  | (168,508,286)     |   | 0.40              |   | (67,403,314)      |
| 12/31/2017  | 104,247,073       |   | 0.20              |   | <u>20,849,415</u> |
| Total       |                   |   |                   |   | 133,886,890 (B)   |

|  |               |
|--|---------------|
| Actuarial value of assets, as of December 31, 2020 | 1,636,054,386 |
|--|---------------|

### Asset gain during fiscal year ending December 31, 2020

Actual return on fair value and cash flow

|  |                    |
|--|--------------------|
| Income from investments and securities lending | 21,190,427         |
| Net appreciation                               | <u>213,386,051</u> |
| Total  | 234,576,478 (C)    |

|   |                 |
|---|-----------------|
| Expected 7.25% return on fair value and cash flow | 120,289,437 (D) |
|---|-----------------|

|                             |             |
|-----------------------------|-------------|
| Asset gain (loss) (C) – (D) | 114,287,041 |
|-----------------------------|-------------|

The assets for valuation purposes are 92.40% of fair value.

5. As of December 31, 2007, members' excess contributions (as discussed in Section V) had been fully depleted to cover the cost of the one-time cost-of-living increases negotiated in collective bargaining related to the benefits provided under the Fund. The actuarial asset value derived above thus requires no additional adjustment for members' excess contributions.

## Section V – Member Excess Contributions

1. Effective July 1, 1998, in lieu of a reduction in the 4% contribution rate, members continued to make contributions equal to 4% of covered payroll.
2. To the extent that 4.00% exceeds the actuarially determined member required contribution rate, the excess is characterized as member excess contributions. These amounts are to be accumulated within the Retirement Fund and used to provide additional benefits.
3. The member excess rates developed in prior years are as follows:

| Period                       | Excess Rate | Period                       | Excess Rate |
|------------------------------|-------------|------------------------------|-------------|
| July 1, 2006 – June 30, 2007 | 0.39610%    | July 1, 2013 – June 30, 2014 | 0.00000%    |
| July 1, 2007 – June 30, 2008 | 0.39610%    | July 1, 2014 – June 30, 2015 | 0.00000%    |
| July 1, 2008 – June 30, 2009 | 0.00000%    | July 1, 2015 – June 30, 2016 | 0.00000%    |
| July 1, 2009 – June 30, 2010 | 0.00000%    | July 1, 2016 – June 30, 2017 | 0.00000%    |
| July 1, 2010 – June 30, 2011 | 0.00000%    | July 1, 2017 – June 30, 2018 | 0.00000%    |
| July 1, 2011 – June 30, 2012 | 0.00000%    | July 1, 2018 – June 30, 2019 | 0.00000%    |
| July 1, 2012 – June 30, 2013 | 0.00000%    | July 1, 2019 – June 30, 2020 | 0.00000%    |

4. As of December 31, 2007, members' excess contributions accumulated in prior years had been fully depleted.
5. The member excess rate for the period July 1, 2020 - June 30, 2021 is derived as follows:
  - a. Effective prior member excess rate (December 31, 2019) -4.9889%
  - b. Decrease in total required contribution rate from prior valuation (see Section VII) 0.84%
  - c. Current member excess rate (July 1, 2020) ((a.) + 25% of (b.)) -4.7789%
6. The accumulated value of the excess contributions as of December 31, 2020 is \$0.

## Section VI – Comments on Valuation

1. Schedule A of this report presents the results of the valuation as of December 31, 2020.
2. The total entry age normal accrued liability on account of benefits expected to be paid to present retired members, former members, beneficiaries, active and inactive members is \$3,055,123,380. Of this amount, \$2,109,955,052 is on account of retired members and beneficiaries, \$937,402,572 is on account of present active members and \$7,765,756 is on account of contributions expected to be returned to active members not accumulating creditable service.
3. The value of Fund assets to be used in developing required contributions to the Fund is \$1,636,054,386, including required contributions made by active members. When \$1,636,054,386 is subtracted from \$3,055,123,380, there remains \$1,419,068,994, which represents the unfunded actuarial accrued liability of the Fund.
4. Amortization of the unfunded liability over the remaining 19 years in the amortization period as of December 31, 2020, in annual installments rising at the rate of 4% per year produces an amortization installment of \$100,594,276 as of December 31, 2020. This amounts to 22.02% of the value of annual compensation of active members below normal retirement age on that date.
5. The total entry age normal cost at December 31, 2020, is \$55,417,684, or 12.13% of the annual compensation of active members below normal retirement age on that date.
6. In addition to the amounts needed to cover amortization of the unfunded liability and normal cost, an allowance of 1.00% of annual compensation of active members below normal retirement age is included in the total required contribution to cover expected administrative expenses. Under the current funding policy of fully covering the actuarially determined contribution, and assuming there are no future experience gains or losses, future expected Fund contributions are expected to remain relatively level as a percent of payroll for 19 years and remain relatively level as a percent of payroll thereafter at the normal cost rate, and the funded status is expected to increase to 100% after 19 years.
7. During 2020, the unfunded actuarial accrued liability decreased \$40.8 million, from \$1,459.9 million to \$1,419.1 million. The expected unfunded actuarial accrued liability at December 31, 2020, was \$1,458.8 million. The \$39.7 million difference consists of a \$32.5 million gain in 2020 of returns on the actuarial value of assets and \$7.2 million in decreased accrued liability due to favorable demographic experience and contribution rate changes. Additional detail is provided in Section IX.

## Section VII – Contributions to the Fund

1. Effective December 31, 2009, the contributions by members and the Authority are to provide normal contributions, amortization of the unfunded accrued liability and administrative expenses. It is assumed that investment earnings will be sufficient to cover fiduciary and investment expenses and, in addition, provide the yield assumed for actuarial purposes.
2. The valuation indicates that 12.13% of compensation is required to cover normal cost and 22.02% of compensation is required to cover amortization of the unfunded accrued liability. Adding 1.00% of compensation for anticipated administrative expenses, excluding fiduciary and other investment expenses, results in a total contribution rate of 35.15% of compensation to be paid by the Authority and the members of the Retirement Fund from July 1, 2021, through June 30, 2022.
3. This rate is 0.84% less than the 35.99% rate developed in the December 31, 2019, valuation. Under the adjustment formula contained in the July 1, 2002, Pension Agreement, 75% of the change will be allocated to the Authority as a change in the contribution rate and 25% will be allocated to the member's required contribution rate. This results in the following rates payable during the year beginning July 1, 2021:

|                             |                |
|-----------------------------|----------------|
| Authority                   | 26.0261%       |
| Members' required           | <u>9.1239%</u> |
| Subtotal (Section II)       | 35.1500%       |
| Members' excess (Section V) | <u>0.0000%</u> |
| Total                       | 35.1500%       |

## Section VIII – Statement No. 25 of the Governmental Accounting Standards Board

1. Statement No. 25 of the Governmental Accounting Standards Board has been superseded by Statement No. 67. Required reporting for the Retirement Fund under Statement No. 67 will be covered in a separate report. The information below is shown nonetheless for informational purposes.
2. The following schedule shows funding progress information that would have been required by Statement No. 25 as of December 31, 2020:

### Schedule of Funding Progress (,000's)<sup>1</sup>

| Year Ending<br>December 31 | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>Covered<br>Payroll<br>((b-a)/c) |
|----------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 2020                       | 1,636,054                              | 3,055,123   | 1,419,069                          | 53.55%                   | 456,930                   | 310.57%  |
| 2019                       | 1,561,193                              | 3,021,110   | 1,459,918                          | 51.68%                   | 433,577                   | 336.72%  |
| 2018                       | 1,559,453                              | 2,916,800   | 1,357,348                          | 53.46%                   | 423,075                   | 320.83%  |
| 2017                       | 1,599,505                              | 2,829,386   | 1,229,881                          | 56.53%                   | 425,658                   | 288.94%  |
| 2016                       | 1,607,560                              | 2,694,556   | 1,086,996                          | 59.66%                   | 444,455                   | 244.57%  |
| 2015                       | 1,630,411                              | 2,572,084   | 941,673                            | 63.39%                   | 440,502                   | 213.77%  |
| 2014                       | 1,632,175                              | 2,447,731   | 815,556                            | 66.68%                   | 415,146                   | 196.45%  |
| 2013                       | 1,606,684                              | 2,364,133   | 757,449                            | 67.96%                   | 379,071                   | 199.82%  |
| 2012                       | 1,456,957                              | 2,312,170   | 855,213                            | 63.01%                   | 370,873                   | 230.59%  |
| 2011                       | 1,550,446                              | 2,276,750   | 726,304                            | 68.10%                   | 366,535                   | 198.15%  |

<sup>1</sup> Some numbers in the table do not add up due to rounding.

## Section IX – Experience

Records are maintained whereby the actual experience of active and retired members is compared to that expected on the basis of the tables adopted by the Retirement Board. In this way, deviations in the experience from that anticipated will be noted and any adjustments believed necessary will be brought to the attention of the Retirement Board in future experience studies.

During the last year, the total unfunded actuarial accrued liability (UAL) was expected to decrease from \$1,459,917,828 to \$1,458,788,110. The actual UAL at the end of the year was \$1,419,068,994. The chart below reconciles the expected to actual UAL. The primary sources of changes were a \$8,089,067 decrease in the accrued liability resulting from favorable demographic experience in 2020 and returns on assets measured at actuarial value that were \$32,515,918 above expected levels in 2020.

The sources of the (Gains)/Losses are as follows:

|   |                |                  |
|---|----------------|------------------|
| Actual UAL as of December 31, 2019  |                | \$ 1,459,917,828 |
| Expected UAL (Prior to Changes) as of December 31, 2020                                     |                | \$ 1,458,788,110 |
| Salary Increases  | \$ (1,101,827) |                  |
| New Participants  | 224,280        |                  |
| Active – Retirements  | (825,164)      |                  |
| Active – Terminations   | 2,724,459      |                  |
| Active – Mortality  | 677,738        |                  |
| Active – Disabilities   | (585,508)      |                  |
| Retiree Mortality   | (10,502,565)   |                  |
| Other (Data Corrections, etc.)  | 1,299,520      |                  |
| Liability (Gain)/Loss – Demographic Experience  |                | \$ (8,089,067)   |
| Change in Accrued Liability Due to Contribution Rate Changes                                |                | \$ 885,869       |
| Change in Accrued Liability Due to Assumption Changes                                       |                | \$ 0             |
| Total of Liability (Gain)/Loss and effects of changes in assumptions and Contribution rates |                | \$ (7,203,198)   |
| Investment (Gain)/Loss  |                | \$ (32,515,918)  |
| Total Change in UAL   |                | \$ (39,719,116)  |
| Actual UAL as of December 31, 2020  |                | \$ 1,419,068,994 |



## Section X – ASOP 51

### Actuarial Standard of Practice No. 51 (“ASOP 51”) Disclosures

Funding future retirement benefits prior to when those benefits become due involves assumptions regarding future economic and demographic experience. These assumptions are applied to calculate actuarial liabilities and the corresponding funded status of the Fund. However, to the extent future experience deviates from the assumptions used, variations will occur in these calculated values. These variations create risk to the Fund. Understanding the risks to the funding of the Fund is important.

Actuarial Standard of Practice No. 51 (“ASOP 51”) requires certain disclosures of potential risks to the Fund and provides useful information for intended users of actuarial reports that determine Fund contributions or evaluate the adequacy of specified contribution levels to support benefit provisions. While its status as a governmental pension plan (as defined in the Internal Revenue Code) exempts it from the funding provisions of ERISA, the Massachusetts Bay Transportation Authority Retirement Fund uses the information presented to assist in making contribution decisions.

Under ASOP 51, risk is defined as the potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience.

It is important to note that not all risk is negative, but all risk should be understood and accepted based on knowledge, judgment and educated decisions. Future measurements may deviate in ways that produce positive or negative financial effects on the Fund.

In the actuary’s professional judgment, the following risks may reasonably be anticipated to significantly affect the Fund’s future financial condition.

- Investment risk – the risk that assets will not return as expected
- Interest rate risk – the risk that the general level of interest rates will increase or decrease significantly from current levels
- Asset liability mismatch - Potential that changes in asset values are not matched by changes in the value of liabilities
- Longevity and other demographic risk – the risk that mortality or other demographic experience will be different from expected

The following information is provided to comply with ASOP 51 and furnish beneficial information on potential risks to the Fund. This list is not all-inclusive; it is an attempt to identify the most significant risks and how those risks might affect the results shown in this report.

Note that ASOP 51 does not require the actuary to evaluate the ability or willingness of the sponsor of a pension plan to make contributions to the plan. In addition, this valuation report is not intended to provide investment advice or to provide guidance on the management or reduction of risk. Buck welcomes the opportunity to assist in such matters as part of a separate project or projects utilizing the appropriate staff and resources for those objectives.

## Section X – ASOP 51 (continued)

### Assessment of Risks

- Investment return: Lower assets mean higher unfunded liability and larger contribution amounts. For example, if returns on assets at fair value were an additional 1% less than expected, this would reduce the actuarial value of assets by approximately \$3.1 million, which would increase the 2021 total contribution rate by 0.04% and the member contribution rate by 0.01%.
- Interest rate risk: Actuarial liabilities contained in this report are based on the assumption that interest rates will remain at current levels throughout the forecast period. These interest rates are used to discount future expected benefit payments to determine the Fund liability. As interest rates increase, the discounted value of future benefit payments will decrease; similarly, as interest rates decrease, the discounted value of future benefit payments will increase. The duration of the Fund's liability is approximately nine years, which means that every 100-basis point change in interest rates will result in roughly a 9% change in Fund liability.
- Asset liability mismatch: Unless assets are explicitly structured to mimic the characteristics of Fund liabilities, there is a risk that economic scenarios that affect interest rates will have a larger impact on liability than on assets. This is because Fund liability is the discounted value of benefit payments that extend way out into future years, i.e. have a long duration. Fund investments, on the other hand, typically have a shorter duration with respect to interest rate changes, often holding fixed income securities with lower durations than Fund liabilities, and typically maintaining some moneys in equity investments that are not as directly sensitive to interest rate changes.
- Longevity and other demographic risk: The Fund is subject to longevity risk, the risk that participants will live longer (or shorter) than expected. The most recent experience study showed that actual mortality experience had tracked closely to the current mortality assumption.

In addition, the Fund is subject to risks associated with assumptions with respect to active and deferred vested participants (for example, salary increases, termination prior to retirement, retirement, and optional form election). The current assumptions for these are based on the experience study completed in 2019. Changes in future liabilities will result to the extent actual experience differs from these assumptions. In particular, higher than expected salary increases (including base pay plus short-term incentives) would increase actuarial liabilities. Further, due to the subsidized early retirement reductions for certain groups, retirements earlier than expected could increase liabilities.

## Section X – ASOP 51 (continued)

### Historical Results

The following table shows selected historical values of key valuation measures. These items illustrate how actual volatility has impacted the Fund in recent years and gives additional context to the risks described above. Further information can be found in the actuarial valuation reports for each year.

|   | 12/31/2016 | 12/31/2017 | 12/31/2018 | 12/31/2019 | 12/31/2020 |
|---|------------|------------|------------|------------|------------|
| Actuarial Value of Assets (AVA)   | \$1.61B    | \$1.60B    | \$1.56B    | \$1.56B    | \$1.64B    |
| Asset Return on MV in Prior Year  | 5.88%      | 17.79%     | (3.37)%    | 17.67%     | 14.22%     |
| Investment gain/(loss) on AVA   | \$(53M)    | \$(29M)    | \$(59M)    | \$(28M)    | \$33M      |
| Actuarial Accrued Liability   | \$2.69B    | \$2.83B    | \$2.91B    | \$3.02B    | \$3.06B    |
| The ratio of retired life* actuarial accrued liability to total actuarial accrued liability | 71%        | 73%        | 72%        | 71%        | 69%        |
| The ratio of benefit payments to actuarial value of assets                                  | 12%        | 13%        | 14%        | 14%        | 14%        |
| The ratio of actuarial value of assets to participant payroll                               | 360%       | 373%       | 367%       | 357%       | 355%       |
| Normal cost   | \$46M      | \$46M      | \$48M      | \$52M      | \$55M      |
| Discount rate   | 7.75%      | 7.50%      | 7.50%      | 7.25%      | 7.25%      |
| Non-Investment gain/(loss)  | \$(80M)    | \$(31M)    | \$(10M)    | \$4M       | \$8M       |
| Funding Policy contribution   | \$121M     | \$131M     | \$144M     | \$156M     | \$161M     |

\* Retired members, former members and beneficiaries

### Commentary on Plan Maturity Measures

#### *The ratio of retired life actuarial accrued liability to total actuarial accrued liability*

A mature pension plan will often have a ratio above 60 - 65 percent. A higher percentage will generally indicate an increased need for asset / liability matching due to inability to accept volatility in future returns.

#### *The ratio of benefit payments to actuarial value of assets*

Higher benefit payments as a percentage of assets means the fund may need to invest in more liquid assets to cover the benefit payments. More liquid assets may not garner the same returns as less liquid assets and therefore increase the investment risk. However, there may already be enough liquid assets to cover the benefit payments, less investment return is needed to cover the shortfall, or only a small portion of assets will need to be converted to cash. Therefore, the investment risk is likely not amplified at this time. This maturity measure should be monitored for continual upward trend with greater magnitude.

#### *The ratio of actuarial value of assets to participant payroll*

Plans that have higher asset-to-payroll ratios experience *more* volatile employer contributions (as a percentage of payroll) due to investment return. For example, if lower than expected asset return increases the unfunded liability of two pension plans by the same percentage, the plan with the higher assets-to-payroll ratio may experience higher contribution volatility than a plan with the lower asset-to-payroll ratio.

## Section XI – Alternative Scenarios

### What if Active Headcount Remained at its 12/31/2016 Level?

|  | 12/31/2020 Valuation<br>(A) | More Active Employees<br>(B) |
|--|-----------------------------|------------------------------|
| 1. Normal Cost Rate                            | 12.13%                      | 12.13%                       |
| 2. Expenses                                    | 1.00%                       | 1.00%                        |
| 3. Amortization                                | \$100,594,276               | \$100,594,276                |
| 4. Active Employees 12/31/2020                 | NA                          | 5,674                        |
| 5. Active Employees 12/31/2016                 | NA                          | 5,786                        |
| 6. New Entrant Salary                          | NA                          | \$61,000                     |
| 7. Payroll (7.A+6.x(5.-4.))                    | \$456,929,998               | \$463,761,998                |
| 8. Accrued Liability Amortization Rate (3./7.) | 22.02%                      | 21.69%                       |
| 9. Total Contribution (1.+ 2.+ 8.)             | 35.15%                      | 34.82%                       |
| 10. Member Contribution                        | 9.1239%                     | 9.0412%                      |

- In column B, we have assumed the employees who have terminated from 12/31/2016 to 12/31/2020 were replaced by new hires
- The normal cost rate would change with addition of new employees. For the purpose of this illustration, we have assumed the change in normal cost rate is not significant
- Member contribution is calculated as  $(34.82\% - 35.99\%) \times 25\% + 9.3339\% = 9.0412\%$

## Section XI – Alternative Scenarios (continued)

### Contribution as a % of Pay Under Alternative Funding Policies

The current funding policy contribution rates were determined by amortizing the unfunded liability over a 19-year period ending in 2040 in installments escalating at the rate of 4% per year. The table below presents calculations of what the contribution rates developed in this valuation would be if the Fund were to change its current funding policy with respect to the amortization of the unfunded liability.

| Amort.<br>(years) | Escalator % per year |        |           |        |           |        |           |        |           |        |
|-------------------|----------------------|--------|-----------|--------|-----------|--------|-----------|--------|-----------|--------|
|                   | 0%                   |        | 1%        |        | 2%        |        | 3%        |        | 4%        |        |
|                   | Authority            | Member | Authority | Member | Authority | Member | Authority | Member | Authority | Member |
| 12                | 38.21%               | 13.18% | 36.89%    | 12.74% | 35.61%    | 12.32% | 34.37%    | 11.91% | 33.19%    | 11.51% |
| 13                | 36.80%               | 12.72% | 35.45%    | 12.27% | 34.15%    | 11.83% | 32.90%    | 11.41% | 31.68%    | 11.01% |
| 14                | 35.62%               | 12.32% | 34.24%    | 11.86% | 32.90%    | 11.42% | 31.63%    | 10.99% | 30.40%    | 10.58% |
| 15                | 34.60%               | 11.98% | 33.19%    | 11.51% | 31.83%    | 11.06% | 30.53%    | 10.63% | 29.28%    | 10.21% |
| 16                | 33.71%               | 11.69% | 32.28%    | 11.21% | 30.90%    | 10.75% | 29.58%    | 10.31% | 28.31%    | 9.89%  |
| 17                | 32.95%               | 11.43% | 31.49%    | 10.94% | 30.08%    | 10.48% | 28.74%    | 10.03% | 27.46%    | 9.60%  |
| 18                | 32.27%               | 11.21% | 30.79%    | 10.71% | 29.36%    | 10.24% | 28.00%    | 9.78%  | 26.70%    | 9.35%  |
| 19                | 31.68%               | 11.01% | 30.17%    | 10.51% | 28.72%    | 10.02% | 27.34%    | 9.56%  | 26.03%    | 9.12%  |

- The “Years” on the left side denote the years over which the unfunded liability is amortized
- Dollar amounts shown are expressed in \$millions
- Percentages of payroll shown represent total contributions developed as a % of pay
- The red circle represents current funding policy

## Section XI – Alternative Scenarios (continued)

### 2020 Amortization under Alternative Funding Policies

The table below presents calculations of what the contribution for amortization of the unfunded liability developed in this valuation would be if the Fund were to change its current funding policy with respect to the amortization of the unfunded liability

| Amort.<br>(years) | Escalator % per year |          |          |          |          |
|-------------------|----------------------|----------|----------|----------|----------|
|                   | 0%                   | 1%       | 2%       | 3%       | 4%       |
| 12                | \$174.82             | \$166.78 | \$159.00 | \$151.49 | \$144.24 |
| 13                | \$166.28             | \$158.06 | \$150.11 | \$142.45 | \$135.07 |
| 14                | \$159.04             | \$150.63 | \$142.53 | \$134.73 | \$127.23 |
| 15                | \$152.83             | \$144.25 | \$136.00 | \$128.06 | \$120.46 |
| 16                | \$147.47             | \$138.72 | \$130.32 | \$122.25 | \$114.54 |
| 17                | \$142.79             | \$133.89 | \$125.34 | \$117.15 | \$109.33 |
| 18                | \$138.69             | \$129.63 | \$120.94 | \$112.64 | \$104.71 |
| 19                | \$135.07             | \$125.86 | \$117.04 | \$108.62 | \$100.59 |

- The “Years” on the left side denote the years over which the unfunded liability is amortized
- Dollar amounts shown are expressed in \$ millions
- Percentages of payroll shown represent total contributions developed as a % of pay
- The red circle represents current funding policy

## Schedule A – Results of the Valuation as of December 31, 2020

|   |                  |
|---|------------------|
| 1. Present Value of Future Benefits   |                  |
| (a) Present value of prospective benefits to retired members, former members and beneficiaries                | \$ 2,109,955,052 |
| (b) Present value of prospective retirement allowances on account of present active members                   | 1,392,898,700    |
| (c) Present value of members' contributions to be returned to the members not accumulating creditable service | <u>7,765,756</u> |
| (d) Total actuarial liabilities   | \$ 3,510,619,508 |
| 2. Assets of the Fund for purposes of development of contributions  | \$ 1,636,054,386 |
| 3. Present value of future contributions to the fund (1(d)-2)   | \$ 1,874,565,122 |
| 4. Present value of future normal contributions to the Fund <sup>1</sup>                                      | \$ 455,496,128   |
| 5. Unfunded accrued liability (3) - (4)   | \$ 1,419,068,994 |

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<sup>1</sup> Includes future contributions of members at the rate developed in Section VII.

## Schedule B – Outline of Actuarial Assumptions and Methods

In 2019, an Experience study was conducted based on the experience from January 1, 2013 to December 31, 2017. Based on the experience study, Buck proposed assumptions for mortality tables, salary increases, termination rates, and retirement rates. All proposed assumptions were approved by the Retirement Board in April 2019. A subsequent change in the assumed rate of return on assets from 7.50% to 7.25% was adopted by the Board in April 2020.

### Data

The rate of pay was used for the 2020 valuation (projected 2021 pensionable earnings).

### Interest rate for funding purposes

7.25% per annum, compounded annually, in addition to fiduciary and investment management expenses.

### Separations from active service

Representative values of the assumed rates of withdrawal and reduced early retirement and disability are as follows:

| Age   | Withdrawal <sup>1</sup> | Age | Disability Male <sup>2</sup> | Disability – Female <sup>2</sup> |
|-------|-------------------------|-----|------------------------------|----------------------------------|
| 20-24 | .0478                   | 20  | .0007                        | .0011                            |
| 25-29 | .0712                   | 25  | .0008                        | .0012                            |
| 30-34 | .0040                   | 30  | .0010                        | .0015                            |
| 35-39 | .0348                   | 35  | .0013                        | .0020                            |
| 40-44 | .0313                   | 40  | .0017                        | .0026                            |
| 45-49 | .0287                   | 45  | .0015                        | .0038                            |
| 50-54 | .0251                   | 50  | .0025                        | .0044                            |
| 55-59 | .0282                   | 55  | .0046                        | .0080                            |
| 60-64 | .0424                   | 60  | .0090                        | .0158                            |
|       |                         | 64  | .0168                        | .0294                            |

<sup>1</sup> 100% of future terminated members not eligible for a retirement allowance are assumed to receive a refund of their accumulated employee contributions.

<sup>2</sup> 50% of disabled employees are assumed to qualify for occupational disability benefits.



## Schedule B – Outline of Actuarial Assumptions and Methods (continued)

### Unreduced retirement rates

Representative rates of unreduced early normal retirement allowances are as follows:

| Age | Unreduced Retirement              |                                  | Reduced Retirement |
|-----|-----------------------------------|----------------------------------|--------------------|
|     | In the year attaining eligibility | In years after first eligibility |                    |
| 45  | 30%                               | 20%                              | N/A                |
| 46  | 30%                               | 15%                              | N/A                |
| 47  | 25%                               | 15%                              | N/A                |
| 48  | 25%                               | 10%                              | N/A                |
| 49  | 25%                               | 10%                              | N/A                |
| 50  | 25%                               | 15%                              | N/A                |
| 51  | 25%                               | 15%                              | N/A                |
| 52  | 25%                               | 15%                              | N/A                |
| 53  | 25%                               | 20%                              | N/A                |
| 54  | 25%                               | 20%                              | N/A                |
| 55  | 30%                               | 15%                              | 3.90%              |
| 56  | 30%                               | 15%                              | 3.66%              |
| 57  | 30%                               | 18%                              | 4.00%              |
| 58  | 30%                               | 18%                              | 4.27%              |
| 59  | 20%                               | 25%                              | 4.74%              |
| 60  | 20%                               | 25%                              | 5.83%              |
| 61  | 35%                               | 25%                              | 6.33%              |
| 62  | 45%                               | 30%                              | 8.27%              |
| 63  | 45%                               | 25%                              | 9.21%              |
| 64  | 45%                               | 25%                              | 11.42%             |
| 65  | 30%                               | 40%                              | N/A                |
| 66  | 30%                               | 25%                              | N/A                |
| 67  | 30%                               | 28%                              | N/A                |
| 68  | 30%                               | 28%                              | N/A                |
| 69  | 30%                               | 28%                              | N/A                |
| 70+ | 30%                               | 100%                             | N/A                |

## Schedule B – Outline of Actuarial Assumptions and Methods (continued)

### Inflation:

2.75% per year

### Salary increases

| Service | Salary Increase % |
|---------|-------------------|
| 0-4     | 8.00%             |
| 5-9     | 4.00%             |
| 10-14   | 3.00%             |
| 15-19   | 2.75%             |
| 20-24   | 2.75%             |
| 25-29   | 2.75%             |
| 30-34   | 2.75%             |
| 35-39   | 2.75%             |
| 40+     | 2.75%             |

### Deaths before and after retirement

The RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 are used for all active participants and deferred vested participants. 94.5% of the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 are used for all retirees. 107.5% of the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 are used for all beneficiary participants. The RP-2014 Disabled Mortality Table with fully generational projection using Scale MP-2018 are used for the period after disability retirement. Among pre-retirement deaths, 7.50% are assumed to qualify for accidental death benefits.

### Normal retirement

Age 65.

### Percent married

90% of male members and 50% of female members under age 55 or who have less than 23 years of service are assumed to be married. 100% of employees age 55 and older or who have 23 or more years of service are assumed to be married. In each case, the female is assumed to be three years younger than the male.

## **Schedule B – Outline of Actuarial Assumptions and Methods (continued)**

### **Pension options**

50% of male members elect a 75% joint and survivor benefit and 10% of female members elect a 50% joint and survivor benefit. All others elect a life annuity.

### **Fiduciary and investment management expenses**

Paid from investment earnings of the Fund.

### **Loading or contingency reserves**

None.

### **Valuation method**

Prior to December 31, 2009, projected benefit method with entry age normal cost and open-end accrued liability. On and after December 31, 2009, individual entry age normal method.

### **Asset valuation method**

A five-year phase-in smoothing method is used, under which the value of assets for actuarial purposes equals fair value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the fair value of assets by more than 20%.

Effective December 31, 2013, the actuarial asset method was changed from a five-year moving average of fair values to a five-year phase-in smoothing method, with the smoothing restarted as of December 31, 2013.

Prior to December 31, 2013, a five-year moving average of fair values method was used to compute the actuarial value of assets.

### **Administrative expenses**

Administrative expenses are estimated to be 1.0% of covered payroll per year.

### **Summary of Changes from December 31, 2019 Valuation**

None.

## **Schedule C – Summary of Main Provisions of the Fund as Interpreted for Valuation Purposes**

The Massachusetts Bay Transportation Authority Retirement Fund became effective as of January 1, 1948. The following summary describes the current main membership, benefit, and contribution provisions of the Fund as interpreted for the valuation.

### **1 - Definitions**

“Compensation” means the full regular remuneration paid to an employee, excluding any overtime pay. “Service” creditable under the Fund means all service rendered by a member prior to his normal retirement date since he last became a member for which contributions are made by the member and by the Authority. “Union” means Boston Carmen’s Union, Local Division 589 of the Amalgamated Transit Union, AFL-CIO.

### **2 - Membership**

Each employee, including employees on a part-time basis, who is or who may become a member of the Union or any union recognized by the Authority for collective bargaining purposes is included in the membership of the Fund. Any employee who is not a member of the Union but who is in a group which was authorized to participate in the Fund is included in the membership.

### **3 - Benefits**

#### **Normal Retirement Allowance**

##### **Condition for Allowance**

Any member may retire at age 65. A member may remain in service after the stated retirement date.

##### **Amount of Allowance**

The normal retirement allowance equals 2.46% of 3-year average annual compensation multiplied by the years of service, such allowance not to exceed 75% of such average annual compensation.

#### **Early Normal Retirement Allowance**

##### **Condition for Allowance**

Any member hired prior December 6, 2012 and has completed at least 23 years of service may retire on an early normal retirement allowance.

Any member hired on or after December 6, 2012, has attained age 55 and completed at least 25 years of service may retire on an early normal retirement allowance.

##### **Amount of Allowance**

The early normal retirement allowance is computed in the same manner as a normal retirement allowance on the basis of the compensation and service to the time of retirement.

#### **Early Reduced Retirement Allowance**

##### **Condition for Allowance**

A member who has attained age 55 and has completed at least 20 years of service may be retired on an early reduced retirement allowance.

##### **Amount of Allowance**

The early reduced retirement allowance is an immediate allowance, commencing at the date of retirement, and is computed in the same manner as a normal retirement allowance on the basis of compensation and service to the time of early retirement, but reduced by ½ of 1% for each month of retirement prior to normal retirement date.

## **Schedule C – Summary of Main Provisions of the Fund as Interpreted for Valuation Purposes (continued)**

### **Disability Retirement Allowance**

#### **Condition for Allowance**

Any member who has completed 4 years of service in case of disablement due to an occupational accident or sickness, or who has completed 6 years of service in case of disablement due to any other cause, and who has become totally and permanently incapacitated, mentally or physically, for the further performance of duty may be retired.

#### **Amount of Allowance**

Upon disability retirement, a member receives an allowance commencing immediately, which is computed as a normal retirement allowance on the basis of the compensation and service to the time of disability retirement and is not less than 15% of the member's 3-year average annual compensation.

### **Vested Retirement Allowance**

#### **Condition for Allowance**

Any member who has completed 10 years of service and who is not eligible for a retirement allowance is eligible for a vested retirement allowance, in lieu of a refund of his contributions with interest, in the event his employment terminates for reasons other than voluntary quit or discharge for cause.

#### **Amount of Allowance**

The vested retirement allowance is a deferred allowance commencing on the member's normal retirement date and equal to a percentage, not exceeding 100 percent, of the amount computed as a normal retirement allowance on the basis of the compensation and service to the time of termination; the applicable percentage is 5 percent multiplied by the number of years of creditable service, not in excess of 20, at the time of termination.

### **Survivor Benefit**

#### **Condition for Benefit**

Upon the death of a member who has completed 10 years of service and who is survived by a spouse and/or dependent children designated to receive the deceased member's contributions with interest, a benefit may be elected by such survivor in lieu of the payment of the contributions with interest.

#### **Amount of Benefit**

If the deceased member had completed at least 10 but fewer than 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his death and elected a 50% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

If the deceased member had completed at least 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his death and elected a 100% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

### **Accidental Death Benefit**

#### **Condition for Benefit**

Upon the death of a member in service whose death results solely from an injury or injuries sustained in the performance of duty, and who is survived by a spouse designated to receive the deceased member's contribution with interest, an allowance shall be payable to said spouse.

## **Schedule C – Summary of Main Provisions of the Fund as Interpreted for Valuation Purposes (continued)**

### **Amount of Benefit**

The accidental death benefit, payable for life, is equal to the amount which would have become payable to the member if the member had retired as of the date of his death on a disability retirement allowance. If there should be insufficient creditable service, the surviving spouse receives the minimum allowance available under the disability retirement provision.

### **Return of Contributions**

#### **On Account of Termination of Service**

In the event of a member's termination of employment for any reason other than death or retirement, he is paid the amount of his contributions, with interest.

#### **On Account of Death Prior to Retirement**

Upon the death of a member or retired member before his retirement allowance has become effective, the amount of his contributions, with interest, is paid to his beneficiary or estate, unless a survivor benefit is payable.

#### **On Account of Death after Retirement**

Upon the death of a retired member, or the survivor of a retired member and his designated beneficiary under an optional benefit, any excess of his contributions at retirement, with interest, over the sum of all retirement allowance payments made is paid to the member's beneficiary or to the survivor's estate.

Our valuation does not include return of contributions on account of death after retirement for current retirees due to negligible impact on the Fund's liabilities.

### **Optional Benefits in Lieu of Regular Benefits**

At retirement, or on his normal retirement date if prior thereto, any member may elect to convert his allowance into an optional benefit of equivalent actuarial value permitted by the Rules and Regulations.

### **Reinstatement of Creditable Service**

If a member's service is interrupted by reason of resignation or dismissal, he has the opportunity upon the completion of 3 years of service after he has been rehired to repay to the Fund all amounts he has withdrawn together with an amount equal to their reasonable earnings. Upon such repayment, the member is to be credited with service for the periods before and after the interruption as though they had been a single period of service.

## **4 - Contributions**

Contributions required to provide benefits and meet administrative expenses are made jointly by the Authority and members. The member contribution rate was increased from 5.1489% to 5.4989% effective August 11, 2012, to 5.5589% effective July 1, 2013, to 5.7989% effective July 1, 2014, to 5.7914% effective July 1, 2015, to 6.4614% effective July 1, 2016, to 7.1189% effective July 1, 2017, to 8.0089% effective July 1, 2018, to 8.8239% effective July 1, 2019, to 9.3339% effective July 1, 2020, and to 9.1239% effective July 1, 2021. Member contributions are "picked up" by the Authority pursuant to Section 414(h)(2) of the Internal Revenue Code.

### **Summary of Changes from December 31, 2019 Valuation**

None.

## Schedule D – Tables of Employee Data

**Table 1 – The Number and Annual Compensation of Active Members Distributed by Fifth Age and Service as of December 31, 2020<sup>1</sup>**

| Attained Age |       | Completed Years of Service |       |             |       |             |     |            |     |            |     |            |     |           |     |           |     |         |       |             |
|--------------|-------|----------------------------|-------|-------------|-------|-------------|-----|------------|-----|------------|-----|------------|-----|-----------|-----|-----------|-----|---------|-------|-------------|
|              |       | 0 to 4                     |       | 5 to 9      |       | 10 to 14    |     | 15 to 19   |     | 20 to 24   |     | 25 to 29   |     | 30 to 34  |     | 35 to 39  |     | 40 & up |       | Total       |
|              | No.   | Salary                     | No.   | Salary      | No.   | Salary      | No. | Salary     | No. | Salary     | No. | Salary     | No. | Salary    | No. | Salary    | No. | Salary  | No.   | Salary      |
| Under 25     | 31    | 1,641,507                  | 0     | 0           | 0     | 0           | 0   | 0          | 0   | 0          | 0   | 0          | 0   | 0         | 0   | 0         | 0   | 0       | 31    | 1,641,507   |
| 25 to 29     | 146   | 8,366,975                  | 17    | 1,403,064   | 0     | 0           | 0   | 0          | 0   | 0          | 0   | 0          | 0   | 0         | 0   | 0         | 0   | 0       | 163   | 9,770,039   |
| 30 to 34     | 305   | 19,579,739                 | 175   | 14,243,661  | 71    | 6,041,098   | 1   | 138,216    | 0   | 0          | 0   | 0          | 0   | 0         | 0   | 0         | 0   | 0       | 552   | 40,002,714  |
| 35 to 39     | 293   | 18,977,333                 | 207   | 17,301,744  | 173   | 15,109,806  | 47  | 4,127,157  | 2   | 193,419    | 0   | 0          | 0   | 0         | 0   | 0         | 0   | 0       | 722   | 55,709,460  |
| 40 to 44     | 261   | 16,035,444                 | 197   | 16,652,430  | 166   | 14,369,900  | 114 | 10,263,261 | 39  | 3,614,229  | 0   | 0          | 0   | 0         | 0   | 0         | 0   | 0       | 777   | 60,935,264  |
| 45 to 49     | 235   | 15,230,521                 | 183   | 15,307,652  | 182   | 15,759,361  | 127 | 11,191,253 | 94  | 8,471,778  | 11  | 951,558    | 1   | 112,549   | 0   | 0         | 0   | 0       | 833   | 67,024,672  |
| 50 to 54     | 169   | 12,273,394                 | 205   | 18,097,423  | 222   | 19,870,148  | 159 | 13,769,134 | 132 | 11,312,305 | 38  | 3,275,422  | 14  | 1,229,488 | 0   | 0         | 0   | 0       | 939   | 79,827,313  |
| 55 to 59     | 115   | 8,840,125                  | 185   | 16,608,933  | 206   | 18,603,545  | 187 | 16,825,374 | 129 | 11,251,980 | 55  | 4,818,852  | 27  | 2,351,648 | 7   | 619,694   | 0   | 0       | 911   | 79,920,151  |
| 60 to 64     | 52    | 4,128,288                  | 110   | 9,852,278   | 139   | 12,690,001  | 140 | 12,720,024 | 83  | 7,078,531  | 26  | 2,282,467  | 14  | 1,235,333 | 8   | 688,397   | 0   | 0       | 572   | 50,675,319  |
| 65 to 69     | 12    | 1,091,355                  | 32    | 2,963,871   | 27    | 2,303,912   | 26  | 2,233,754  | 19  | 1,560,973  | 7   | 681,658    | 6   | 537,160   | 2   | 166,026   | 3   | 272,750 | 134   | 11,811,459  |
| 70 & up      | 3     | 203,986                    | 9     | 896,501     | 5     | 500,344     | 6   | 550,264    | 10  | 839,218    | 1   | 109,096    | 2   | 170,206   | 0   | 0         | 4   | 334,048 | 40    | 3,603,662   |
| Total        | 1,622 | 106,368,667                | 1,320 | 113,327,556 | 1,191 | 105,248,116 | 807 | 71,818,436 | 508 | 44,322,433 | 138 | 12,119,053 | 64  | 5,636,384 | 17  | 1,474,117 | 7   | 606,798 | 5,674 | 460,921,559 |

<sup>1</sup> Minor differences between the sums of values shown and the totals shown may arise due to rounding.

**Table 2 – The Number and Annual Retirement Allowances Distributed by Age as of December 31, 2020<sup>1</sup>**

| Age             | Service Retirements |             | Disabled Members |            | Beneficiaries |            |
|-----------------|---------------------|-------------|------------------|------------|---------------|------------|
|                 | Number              | Amount      | Number           | Amount     | Number        | Amount     |
| <50             | 43                  | 2,041,467   | 29               | 544,923    | 35            | 420,738    |
| 50              | 22                  | 1,140,420   | 6                | 111,570    | 6             | 84,674     |
| 51              | 29                  | 1,422,275   | 6                | 76,583     | 4             | 98,735     |
| 52              | 37                  | 1,917,634   | 9                | 198,711    | 3             | 50,946     |
| 53              | 47                  | 2,327,591   | 15               | 246,705    | 8             | 126,462    |
| 54              | 57                  | 2,778,624   | 13               | 242,204    | 7             | 80,315     |
| 55              | 82                  | 4,113,272   | 11               | 220,898    | 8             | 138,637    |
| 56              | 84                  | 4,191,426   | 19               | 449,184    | 10            | 104,456    |
| 57              | 108                 | 5,506,923   | 12               | 220,792    | 13            | 186,830    |
| 58              | 93                  | 4,514,461   | 24               | 550,236    | 18            | 293,047    |
| 59              | 92                  | 4,524,798   | 18               | 333,821    | 14            | 234,102    |
| 60              | 116                 | 5,515,433   | 24               | 520,146    | 12            | 236,529    |
| 61              | 124                 | 5,996,037   | 33               | 552,476    | 12            | 195,711    |
| 62              | 146                 | 6,719,441   | 34               | 748,883    | 19            | 249,709    |
| 63              | 124                 | 5,927,082   | 29               | 650,881    | 16            | 438,847    |
| 64              | 153                 | 6,998,305   | 19               | 390,069    | 25            | 396,423    |
| 65              | 167                 | 7,357,202   | 38               | 762,276    | 31            | 517,281    |
| 66              | 184                 | 7,820,059   | 41               | 808,261    | 21            | 415,425    |
| 67              | 190                 | 7,818,954   | 25               | 468,650    | 21            | 297,894    |
| 68              | 212                 | 8,687,587   | 25               | 436,404    | 24            | 523,347    |
| 69              | 185                 | 7,121,148   | 18               | 361,848    | 28            | 463,362    |
| 70              | 191                 | 7,232,268   | 31               | 576,606    | 27            | 659,389    |
| 71              | 200                 | 7,651,549   | 29               | 520,674    | 28            | 598,027    |
| 72              | 218                 | 8,066,531   | 21               | 394,546    | 38            | 753,790    |
| 73              | 219                 | 7,628,784   | 24               | 510,159    | 35            | 714,336    |
| 74              | 189                 | 6,599,444   | 16               | 288,545    | 42            | 813,212    |
| 75              | 173                 | 5,875,705   | 17               | 365,182    | 42            | 862,521    |
| 76              | 187                 | 6,301,538   | 19               | 314,543    | 40            | 870,980    |
| 77              | 169                 | 5,535,756   | 23               | 298,403    | 50            | 949,183    |
| 78              | 156                 | 5,137,563   | 13               | 241,579    | 47            | 793,619    |
| 79              | 127                 | 3,857,747   | 13               | 216,132    | 40            | 639,147    |
| 80              | 112                 | 3,330,372   | 9                | 165,191    | 45            | 760,060    |
| 81              | 95                  | 3,069,840   | 5                | 65,994     | 34            | 622,221    |
| 82              | 83                  | 2,476,405   | 8                | 143,616    | 37            | 603,501    |
| 83              | 85                  | 2,357,894   | 3                | 51,104     | 34            | 620,192    |
| 84              | 64                  | 1,871,066   | 2                | 23,083     | 44            | 778,258    |
| 85              | 58                  | 1,610,317   | 2                | 36,828     | 25            | 430,084    |
| >85             | 231                 | 5,670,332   | 7                | 77,619     | 225           | 3,187,176  |
| Total           | 4,852               | 188,713,249 | 690              | 13,185,328 | 1,168         | 20,209,165 |
| No Option       | 3,092               | 121,092,537 | 567              | 11,104,493 | 1,168         | 20,209,165 |
| Survivor Option | 30                  | 1,347,528   | 2                | 44,454     | 0             | 0          |
| Pop-Up Option   | 1,730               | 66,273,185  | 121              | 2,036,382  | 0             | 0          |
| Total           | 4,852               | 188,713,249 | 690              | 13,185,328 | 1,168         | 20,209,165 |

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<sup>1</sup> Minor differences between the sums of values shown and the totals shown may arise due to rounding.



## Solvency Test

### As of December 31, 2020

The MBTA Retirement Fund's funding objective is to meet long-term benefit promises through contributions that remain approximately level from year-to-year as a percent of member payroll. If the contributions to the Fund are level in concept and soundly executed, the Fund will pay all promised benefits when due -- the ultimate test of financial soundness.

A solvency test is one means of checking a fund's progress under its funding program. In a solvency test, the fund's present assets (cash and investments) are compared with:

- i. Active member contributions on deposit;
- ii. The liabilities for future benefits to present retired lives;
- iii. The liabilities for service already rendered by active and inactive members.

In a Fund that has been following the discipline of level percent-of-payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the Fund. Buck prepared the following Solvency Schedule:

| Valuation Date | (1) Active Member Contributions |             | (2) Retirees and Beneficiaries |               | (3) Active/Inactive Members (Employer Financed) |             | Actuarial Value of Assets |               |  | Portion of AAL Covered by Assets |     |     |
|----------------|---------------------------------|-------------|--------------------------------|---------------|---|-------------|---------------------------|---------------|--|----------------------------------|-----|-----|
|                |                                 |             |                                |               |   |             |                           |               |  | (1)                              | (2) | (3) |
| 12/31/2020     | \$                              | 298,648,242 | \$                             | 2,109,955,052 | \$  | 646,520,086 | \$                        | 1,636,054,386 |  | 100%                             | 63% | 0%  |
| 12/31/2019     |                                 | 266,634,347 |                                | 2,129,210,443 |   | 625,265,569 |                           | 1,561,192,531 |  | 100%                             | 61% | 0%  |
| 12/31/2018     |                                 | 240,849,945 |                                | 2,092,861,364 |   | 583,089,414 |                           | 1,559,452,659 |  | 100%                             | 63% | 0%  |
| 12/31/2017     |                                 | 221,627,390 |                                | 2,057,542,739 |   | 550,215,648 |                           | 1,599,505,237 |  | 100%                             | 67% | 0%  |
| 12/31/2016     |                                 | 219,497,282 |                                | 1,918,980,542 |   | 556,078,499 |                           | 1,607,560,108 |  | 100%                             | 72% | 0%  |
| 12/31/2015     |                                 | 219,752,752 |                                | 1,774,425,407 |   | 577,905,849 |                           | 1,630,411,191 |  | 100%                             | 79% | 0%  |
| 12/31/2014     |                                 | 211,433,306 |                                | 1,682,557,007 |   | 553,740,744 |                           | 1,632,174,762 |  | 100%                             | 84% | 0%  |
| 12/31/2013     |                                 | 196,543,768 |                                | 1,644,867,542 |   | 522,721,825 |                           | 1,606,684,354 |  | 100%                             | 86% | 0%  |
| 12/31/2012     |                                 | 183,328,525 |                                | 1,627,032,223 |   | 501,809,615 |                           | 1,456,956,884 |  | 100%                             | 78% | 0%  |
| 12/31/2011     |                                 | 170,925,725 |                                | 1,602,587,528 |   | 503,237,245 |                           | 1,550,446,450 |  | 100%                             | 86% | 0%  |

**Schedule of Retirees and Beneficiaries  
Added to and Removed from Rolls**

As of December 31, 2020

Schedule prepared by Buck

| Valuation Date | Added to Rolls |                   | Removed from Rolls |                   | Rolls - End of Year |                   | % Increase in Annual Allowances | Average Annual Allowances |
|----------------|----------------|-------------------|--------------------|-------------------|---------------------|-------------------|---------------------------------|---------------------------|
|                | No.            | Annual Allowances | No.                | Annual Allowances | No.                 | Annual Allowances |                                 |                           |
| 12/31/2020     | 144            | \$ 5,343,426      | 247                | \$ 5,787,592      | 6,710               | \$ 222,107,742    | 1.33%                           | \$ 33,101                 |
| 12/31/2019     | 148            | 6,101,838         | 176                | 4,806,046         | 6,813               | 222,551,908       | 1.00%                           | 32,666                    |
| 12/31/2018     | 209            | 8,408,514         | 191                | 4,618,807         | 6,841               | 221,256,116       | 1.47%                           | 32,343                    |
| 12/31/2017     | 310            | 14,541,060        | 171                | 4,108,386         | 6,823               | 217,466,409       | 2.90%                           | 31,873                    |
| 12/31/2016     | 370            | 18,053,040        | 158                | 3,735,177         | 6,684               | 207,033,735       | 4.02%                           | 30,975                    |
| 12/31/2015     | 270            | 11,550,600        | 205                | 4,661,828         | 6,472               | 192,715,872       | 2.67%                           | 29,777                    |
| 12/31/2014     | 123            | 5,191,092         | 87                 | 360,332           | 6,407               | 185,827,100       | 2.09%                           | 29,004                    |
| 12/31/2013     | 174            | 6,687,864         | 159                | 3,595,765         | 6,371               | 180,996,340       | 1.50%                           | 28,409                    |
| 12/31/2012     | 184            | 6,926,496         | 154                | 3,278,250         | 6,356               | 177,904,241       | 1.61%                           | 27,990                    |
| 12/31/2011     | 204            | 7,738,128         | 176                | 3,112,020         | 6,326               | 174,255,995       | 2.27%                           | 27,546                    |

**Schedule of Active Member Valuation Data**

| Valuation Date | Number | Annual Payroll | Average Annual Pay | % Increase In Average Pay |
|----------------|--------|----------------|--------------------|---------------------------|
| 2020           | 5,674  | \$ 460,921,559 | \$ 81,234          | 2.4%                      |
| 2019           | 5,507  | 436,828,077    | 79,322             | 0.4%                      |
| 2018           | 5,392  | 425,862,201    | 78,980             | -0.8%                     |
| 2017           | 5,386  | 428,830,122    | 79,619             | 3.1%                      |
| 2016           | 5,786  | 446,740,427    | 77,211             | 2.5%                      |
| 2015           | 5,885  | 443,237,899    | 75,317             | 4.5%                      |
| 2014           | 5,798  | 417,957,007    | 72,086             | 8.2%                      |
| 2013           | 5,726  | 381,380,271    | 66,605             | 1.2%                      |
| 2012           | 5,668  | 373,000,972    | 65,808             | 2.3%                      |
| 2011           | 5,726  | 368,473,591    | 64,351             | 1.4%                      |

# **STATISTICAL SECTION**

(Unaudited)

**Objectives**

The objectives of the Statistical Section are to provide additional historical perspective, context and detail to assist readers in using the information in the Financial Statements, Notes to the Financial Statements, and Required Supplementary Information in order to understand and assess the Plan's economic condition.

**Financial Trends**

The Schedule of Changes in Net Position presented on page 141 contains historical information related to the Fund's revenues, expenses, changes in net position and net position available for benefits. The Schedule of Additions by Source on page 141 provides employer and employee contribution rates and investment income historical information. The schedules of deductions and benefits by type on page 142 provide a history of annual benefit, withdrawal, and operating expense trends.

**Demographic and Economic Information**

The schedule of Distribution of Plan Members shown on page 143 provides relevant details about the composition of the Fund's active membership including concentration of Members within various age groups.

**Operating Information**

The Schedule of Average Benefit Payments on page 144 presents average monthly benefits and average final salary information by years of credited service for new benefit recipients within specified plan years. The Schedule of Benefit Recipients by Type and Option on page 145 illustrates the number of participants and total benefit payments by type and option.

Statistical data is provided from both the Fund's internal resources and from the Fund's Actuary, Buck Global, LLC.

## Financial Trends (2011 – 2020 for all reports)

### Schedule of Changes in Net Position

| Year Ended<br>Dec 31 | Net Position<br>Beginning of Year | Additions      | Deductions     | Increase (Decrease)<br>in net Position | Net Position<br>End of Year |
|----------------------|-----------------------------------|----------------|----------------|--|-----------------------------|
| 2020                 | \$ 1,614,144,213                  | \$ 385,730,778 | \$ 229,933,715 | 155,797,063                            | 1,769,941,276               |
| 2019                 | 1,449,695,100                     | 393,360,861    | 228,911,748    | 164,449,113                            | 1,614,144,213               |
| 2018                 | 1,603,176,196                     | 72,546,582     | 226,027,678    | (153,481,096)                          | 1,449,695,100               |
| 2017                 | 1,485,605,884                     | 334,848,844    | 217,278,532    | 117,570,312                            | 1,603,176,196               |
| 2016                 | 1,497,848,035                     | 191,813,165    | 204,055,316    | (12,242,151)                           | 1,485,605,884               |
| 2015                 | 1,587,966,489                     | 104,595,864    | 194,714,318    | (90,118,454)                           | 1,497,848,035               |
| 2014                 | 1,606,684,354                     | 169,464,986    | 188,182,851    | (18,717,865)                           | 1,587,966,489               |
| 2013                 | 1,478,348,978                     | 310,688,826    | 182,353,450    | 128,335,376                            | 1,606,684,354               |
| 2012                 | 1,394,395,336                     | 262,766,724    | 178,813,082    | 83,953,642                             | 1,478,348,978               |
| 2011                 | 1,488,656,182                     | 80,652,299     | 174,913,145    | (94,260,846)                           | 1,394,395,336               |

### Schedule of Additions by Source

| Year Ended<br>Dec 31 | Employee<br>Contributions | Employer<br>Contributions | Employer<br>Contributions as %<br>of Covered Payroll | Investment<br>Income (a) | Total       |
|----------------------|---------------------------|---------------------------|--|--------------------------|-------------|
| 2020                 | \$ 40,774,027             | \$ 116,285,928            | 25.45%   | \$ 228,670,823           | 385,730,778 |
| 2019                 | 36,366,108                | 103,263,763               | 23.82  | 253,730,990              | 393,360,861 |
| 2018                 | 32,606,337                | 92,013,124                | 21.61  | (52,072,879)             | 72,546,582  |
| 2017                 | 29,775,344                | 83,382,882                | 19.44  | 221,690,618              | 334,848,844 |
| 2016                 | 27,791,543                | 77,239,279                | 17.38  | 86,782,343               | 191,813,165 |
| 2015                 | 26,510,946                | 73,373,672                | 16.66  | 4,711,246                | 104,595,864 |
| 2014                 | 25,318,224                | 70,603,285                | 17.00  | 73,543,477               | 169,464,986 |
| 2013                 | 21,027,548                | 58,039,160                | 15.31  | 231,622,118              | 310,688,826 |
| 2012                 | 20,023,337                | 54,968,325                | 14.82  | 187,775,062              | 262,766,724 |
| 2011                 | 19,089,304                | 52,278,311                | 14.26  | 9,284,684                | 80,652,299  |

Contributions were made in accordance with actuarially determined contribution requirements

(a) Net of investment expenses

## Schedule of Deductions by Type

| Year Ended<br>Dec 31 | Benefits |             | Operating<br>Expenses |           | Withdrawals |           | Total       |
|----------------------|----------|-------------|-----------------------|-----------|-------------|-----------|-------------|
| 2020                 | \$       | 221,447,685 | \$                    | 4,511,375 | \$          | 3,974,655 | 229,933,715 |
| 2019                 |          | 220,553,916 |                       | 5,046,775 |             | 3,311,057 | 228,911,748 |
| 2018                 |          | 218,385,648 |                       | 4,317,624 |             | 3,324,406 | 226,027,678 |
| 2017                 |          | 208,999,450 |                       | 4,463,775 |             | 3,815,307 | 217,278,532 |
| 2016                 |          | 195,707,470 |                       | 6,493,777 |             | 1,854,069 | 204,055,316 |
| 2015                 |          | 187,148,675 |                       | 5,808,086 |             | 1,757,557 | 194,714,318 |
| 2014                 |          | 182,499,776 |                       | 4,052,664 |             | 1,630,411 | 188,182,851 |
| 2013                 |          | 177,311,634 |                       | 3,948,978 |             | 1,092,838 | 182,353,450 |
| 2012                 |          | 174,627,907 |                       | 3,384,113 |             | 801,062   | 178,813,082 |
| 2011                 |          | 170,034,251 |                       | 3,793,418 |             | 1,085,476 | 174,913,145 |

## Schedule of Benefit Deduction by Type

| Year Ended<br>Dec 31 | Service |             | Disability |            | Beneficiary |            | Total          |
|----------------------|---------|-------------|------------|------------|-------------|------------|----------------|
| 2020                 | \$      | 188,613,828 | \$         | 13,697,233 | \$          | 19,136,624 | \$ 221,447,685 |
| 2019                 |         | 189,884,938 |            | 13,715,736 |             | 16,953,242 | 220,553,916    |
| 2018                 |         | 188,529,051 |            | 13,331,294 |             | 16,525,303 | 218,385,648    |
| 2017                 |         | 179,572,258 |            | 12,873,203 |             | 16,553,989 | 208,999,450    |
| 2016                 |         | 165,645,608 |            | 13,811,300 |             | 16,250,562 | 195,707,470    |
| 2015                 |         | 158,790,759 |            | 12,294,604 |             | 16,063,312 | 187,148,675    |
| 2014                 |         | 153,390,245 |            | 10,892,495 |             | 18,217,036 | 182,499,776    |
| 2013                 |         | 149,450,754 |            | 10,689,534 |             | 17,171,346 | 177,311,634    |
| 2012                 |         | 146,842,625 |            | 10,685,263 |             | 17,100,019 | 174,627,907    |
| 2011                 |         | 142,715,543 |            | 10,508,424 |             | 16,810,284 | 170,034,251    |

## Demographic and Economic Information (As of 12/31/20)

Distribution of Fund Members as of December 31, 2020 - Active Members

| Age          | Years of Service |              |              |            |            |            |           |           |          | Total        |                    | Average       |
|--------------|------------------|--------------|--------------|------------|------------|------------|-----------|-----------|----------|--------------|--------------------|---------------|
|              | 0-4              | 5-9          | 10-14        | 15-19      | 20-24      | 25-29      | 30-34     | 35-39     | 40+      | Total        | Compensation       | Compensation  |
| under 25     | 31               | -            | -            | -          | -          | -          | -         | -         | -        | 31           | 1,641,507          | 52,952        |
| 25-29        | 146              | 17           | -            | -          | -          | -          | -         | -         | -        | 163          | 9,770,039          | 59,939        |
| 30-34        | 305              | 175          | 71           | 1          | -          | -          | -         | -         | -        | 552          | 40,002,714         | 72,469        |
| 35-39        | 293              | 207          | 173          | 47         | 2          | -          | -         | -         | -        | 722          | 55,709,460         | 77,160        |
| 40-44        | 261              | 197          | 166          | 114        | 39         | -          | -         | -         | -        | 777          | 60,935,264         | 78,424        |
| 45-49        | 235              | 183          | 182          | 127        | 94         | 11         | 1         | -         | -        | 833          | 67,024,672         | 80,462        |
| 50-54        | 169              | 205          | 222          | 159        | 132        | 38         | 14        | -         | -        | 939          | 79,827,313         | 85,013        |
| 55-59        | 115              | 185          | 206          | 187        | 129        | 55         | 27        | 7         | -        | 911          | 79,920,151         | 87,728        |
| 60-64        | 52               | 110          | 139          | 140        | 83         | 26         | 14        | 8         | -        | 572          | 50,675,319         | 88,593        |
| 65-69        | 12               | 32           | 27           | 26         | 19         | 7          | 6         | 2         | 3        | 134          | 11,811,459         | 88,145        |
| 70+          | 3                | 9            | 5            | 6          | 10         | 1          | 2         | -         | 4        | 40           | 3,603,662          | 90,092        |
| <b>Total</b> | <b>1,622</b>     | <b>1,320</b> | <b>1,191</b> | <b>807</b> | <b>508</b> | <b>138</b> | <b>64</b> | <b>17</b> | <b>7</b> | <b>5,674</b> | <b>460,921,559</b> | <b>81,234</b> |

## Operating Information

### Schedule of Average Benefit Payments - New Benefit Recipients (2011 – 2020)

| Years of Service             | 0-4      | 5-9      | 10-14    | 15-19    | 20-24    | 25-29    | 30+      | Total    |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>2011</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ -     | \$ 876   | \$ 1,390 | \$ 2,721 | \$ 3,266 | \$ 3,919 | \$ 4,351 | \$ 3,161 |
| Average Final Average Salary | -        | 61,939   | 66,442   | 75,563   | 74,337   | 78,379   | 80,226   | 74,320   |
| Number of Retired Members    | -        | 7        | 12       | 16       | 133      | 29       | 7        | 204      |
| <b>2012</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ 311   | \$ 840   | \$ 1,534 | \$ 2,305 | \$ 3,165 | \$ 4,239 | \$ 4,669 | \$ 3,137 |
| Average Final Average Salary | 43,363   | 59,592   | 75,925   | 73,205   | 74,644   | 80,771   | 85,574   | 75,643   |
| Number of Retired Members    | 1        | 5        | 13       | 22       | 101      | 32       | 10       | 184      |
| <b>2013</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ 844   | \$ 976   | \$ 1,460 | \$ 2,195 | \$ 3,298 | \$ 3,969 | \$ 4,868 | \$ 3,203 |
| Average Final Average Salary | 104,387  | 56,659   | 69,224   | 72,730   | 77,261   | 77,890   | 83,824   | 76,361   |
| Number of Retired Members    | 2        | 4        | 19       | 12       | 78       | 52       | 7        | 174      |
| <b>2014</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ -     | \$ 944   | \$ 1,565 | \$ 2,371 | \$ 3,455 | \$ 4,103 | \$ 4,429 | \$ 3,517 |
| Average Final Average Salary | -        | 60,088   | 69,079   | 71,012   | 80,485   | 81,816   | 80,201   | 79,223   |
| Number of Retired Members    | -        | 1        | 10       | 7        | 55       | 37       | 13       | 123      |
| <b>2015</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ 813   | \$ 951   | \$ 1,760 | \$ 2,346 | \$ 3,720 | \$ 4,582 | \$ 4,988 | \$ 3,565 |
| Average Final Average Salary | 143,040  | 77,667   | 74,294   | 76,590   | 86,810   | 87,865   | 88,188   | 85,090   |
| Number of Retired Members    | 2        | 18       | 27       | 24       | 98       | 70       | 31       | 270      |
| <b>2016</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ 2,754 | \$ 1,294 | \$ 1,871 | \$ 2,708 | \$ 4,012 | \$ 4,430 | \$ 5,222 | \$ 4,066 |
| Average Final Average Salary | 91,458   | 82,418   | 81,622   | 80,316   | 85,125   | 78,969   | 81,558   | 81,761   |
| Number of Retired Members    | 2        | 15       | 24       | 19       | 111      | 128      | 71       | 370      |
| <b>2017</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ -     | \$ 1,145 | \$ 1,703 | \$ 2,572 | \$ 3,805 | \$ 4,776 | \$ 5,145 | \$ 3,972 |
| Average Final Average Salary | -        | 87,848   | 76,222   | 78,592   | 83,192   | 84,360   | 83,286   | 82,327   |
| Number of Retired Members    | -        | 7        | 41       | 38       | 52       | 107      | 65       | 310      |
| <b>2018</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ 535   | \$ 1,183 | \$ 1,718 | \$ 2,392 | \$ 3,766 | \$ 4,767 | \$ 4,939 | \$ 3,445 |
| Average Final Average Salary | 47,133   | 67,758   | 67,861   | 61,879   | 81,109   | 87,896   | 84,979   | 77,016   |
| Number of Retired Members    | 2        | 6        | 37       | 32       | 55       | 48       | 24       | 204      |
| <b>2019</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ -     | \$ 1,488 | \$ 1,821 | \$ 2,495 | \$ 3,728 | \$ 4,904 | \$ 5,299 | \$ 3,345 |
| Average Final Average Salary | -        | 68,561   | 71,079   | 73,257   | 80,413   | 91,264   | 93,985   | 79,622   |
| Number of Retired Members    | -        | 13       | 25       | 25       | 50       | 20       | 17       | 150      |
| <b>2020</b>                  |          |          |          |          |          |          |          |          |
| Average Monthly Benefit      | \$ 655   | \$ 1,096 | \$ 1,820 | \$ 2,832 | \$ 3,849 | \$ 4,967 | \$ 5,073 | \$ 3,428 |
| Average Final Average Salary | 74,475   | 60,381   | 63,869   | 72,394   | 79,997   | 89,472   | 77,950   | 76,585   |
| Number of Retired Members    | 2        | 9        | 17       | 26       | 53       | 22       | 8        | 137      |



## Schedule of Benefit Recipients by Type and Option

December 31, 2020

|                 | Total       | Type of Retirement* |             |            |            |           |           |            |           |            | Option Selected** |             |            |           |            | Grand Total |
|-----------------|-------------|---------------------|-------------|------------|------------|-----------|-----------|------------|-----------|------------|-------------------|-------------|------------|-----------|------------|-------------|
|                 |             | I                   | II          | III        | IV         | V         | VI        | VII        | VIII      | IX         | A                 | B           | C          | D         | E          |             |
| \$0-\$500       | 209         | 22                  | 2           | -          | 66         | 6         | 1         | 86         | -         | 26         | 156               | 20          | 7          | -         | 26         | 209         |
| \$500-\$1,000   | 593         | 85                  | 19          | 19         | 157        | 5         | 18        | 254        | 4         | 32         | 459               | 74          | 27         | 1         | 32         | 593         |
| \$1,000-\$1,500 | 754         | 143                 | 174         | 35         | 162        | 3         | 3         | 182        | 29        | 23         | 509               | 170         | 51         | 1         | 23         | 754         |
| \$1,500-\$2,000 | 972         | 159                 | 531         | 45         | 101        | 2         | 1         | 113        | 12        | 8          | 617               | 276         | 69         | 2         | 8          | 972         |
| \$2,000-\$2,500 | 992         | 121                 | 721         | 18         | 52         | 2         | 2         | 71         | 4         | 1          | 575               | 327         | 82         | 7         | 1          | 992         |
| \$2,500-\$3,000 | 876         | 75                  | 728         | 15         | 21         | -         | 4         | 32         | -         | 1          | 516               | 296         | 58         | 5         | 1          | 876         |
| \$3,000-\$3,500 | 684         | 51                  | 604         | 6          | 8          | -         | 2         | 13         | -         | -          | 356               | 247         | 73         | 8         | -          | 684         |
| \$3,500-\$4,000 | 449         | 53                  | 1           | 2          | 124        | 4         | 23        | 202        | -         | 40         | 350               | 51          | 7          | 1         | 40         | 449         |
| Over \$4,000    | 1181        | 118                 | 1052        | 2          | 1          | -         | 2         | 6          | -         | -          | 678               | 378         | 115        | 10        | -          | 1181        |
| <b>Total</b>    | <b>6710</b> | <b>827</b>          | <b>3832</b> | <b>142</b> | <b>692</b> | <b>22</b> | <b>56</b> | <b>959</b> | <b>49</b> | <b>131</b> | <b>4216</b>       | <b>1839</b> | <b>489</b> | <b>35</b> | <b>131</b> | <b>6710</b> |

**\*Type of Retirement**

I Normal  
 II Early Normal  
 III Early Reduced  
 IV Disability  
 V Special Disability  
 VI Special Survivor  
 VII Optionee  
 VIII Special early Reduced  
 IX QDRO

**\*\* Option Selected**

A Lifetime Annuity  
 B Joint Annuity Pop-up  
 C Joint Annuity  
 D Term Certain  
 E QDRO

# **FREQUENTLY ASKED QUESTIONS**

(Unaudited)



## Questions & Answers

**Q** *Who is eligible to become a member of the Retirement Fund?*

**A** Any person regularly employed by the MBTA is eligible to become a member of the Retirement Fund.

**Q** *How does an employee contribute to the Retirement Fund?*

**A** Retirement contributions are deducted from the regular earnings (excluding overtime).

**Q** *Are the matching contributions made by the Authority applied to the member's balance in the Fund?*

**A** NO. The Authority's contributions are not applied to the member's balance in the Fund. These contributions become an irrevocable asset of the Fund used for the benefit of its members.

**Q** *What is the rate of interest earned by the member on his/her contributions? Does the member continue to earn interest after his/her employment with the Authority is terminated by reason of retirement, resignation or discharge?*

**A** Interest earned on contributions made on or after July 1, 1967, are compounded annually at a rate of three percent (3%). Note: This rate is set by the Pension Agreement and does not reflect the earnings of the Fund. NO. A member stops earning interest on his/her contributions as of the last day of the month prior to his/her separation from the Authority's service.

**Q** *How do part-time employees accrue creditable service?*

**A** For the purpose of determining the amount of retirement benefit, creditable service shall accrue at the rate of one month of creditable service, or fraction thereof, for each 173 pay hours received.

## Questions & Answers (Continued)

**Q** *Under what circumstances is the spouse of a member required to sign a spousal consent form?*

**A** When a member is about to retire, a spousal consent is required when the member elects to receive his/her benefit in the following manner:

- No optional benefit for spouse
- 33<sup>1</sup>/<sub>3</sub>% with no pop-up
- 25% with no pop-up
- 50% with no pop-up
- 33<sup>1</sup>/<sub>3</sub>% with pop-up
- 25% with pop-up
- 5, 10 or 15-year term certain benefits

**Q** *Are retirement contributions deducted from Workers' Compensation payments? Does the time out on Workers' Compensation count as creditable membership service?*

**A** No. There are no retirement contributions deducted from Workers' Compensation payments. As a result, it may exclude that year as a high year in calculating the high 3-year average. Yes. When a member is out of work and receiving Workers' Compensation payments, it does count as creditable membership service.

**Q** *Workers' Compensation Offset: Does my receipt of Workers' Compensation payments affect my disability retirement benefit?*

**A** Possibly: If the payments that you receive under Workers' Compensation are based on the same injury that qualified you for disability retirement, your pension benefit will be offset against your Workers' Compensation for that same injury.

This means that your pension benefit will be directly reduced by the amount of the Workers' Compensation benefit that you receive.

Workers' Compensation payments that are based on an injury different from the injury that qualified you for a disability pension will not affect your disability retirement benefit.

**Q** *Is the employment date with the Authority the same as the membership date in the Fund?*

**A** NO. Membership in the Fund begins when contributions are made to the Fund and is usually a short time after the employment date, typically 90 days after being employed.

## Questions & Answers *(Continued)*

### **Q** *When can a member retire?*

**A** A member can retire at age 65 or older on a Normal Retirement.

For a member hired before December 6<sup>th</sup>, 2012, an Early Normal Retirement is available with 23 years of creditable service.

A member hired on or after December 6<sup>th</sup>, 2012, an Early Normal Retirement is available if the member is age 55 or older and has at least 25 years of creditable service.

An Early Reduced Retirement is available if the member is age 55 or older and has at least 20 years of creditable service; however, the retirement allowance will be reduced by 1/2 of 1% for each month between the age at retirement and age 65.

The plan provides for a Disability Retirement after 4 years of creditable service for an occupational disability or after 6 years for a non-occupational disability.

### **Q** *How is a member's retirement allowance determined?*

**A** The maximum retirement allowance is determined by using the following formula: The average of the best 3 years of earnings, multiplied by 2.46%, and multiplied by years and months of creditable membership service.

### **Q** *What is the date shown on the monthly retirement checks and when are they mailed to the retirees?*

**A** The monthly retirement checks are dated for the last business day of the month. The checks are mailed 4 or 5 days before the end of the month in order for them to arrive at the retiree's home by the last day of the month.

### **Q** *If a member leaves the employ of the MBTA, what happens to the contributions made on the employee's behalf (Authority's Contributions) to the Fund?*

**A** Those contributions, once made, become an irrevocable asset of the Pension Fund and can only be used for the exclusive benefit of the members of the Fund.

### **Q** *If a retirement benefit is sent direct deposit (ACH – wire transfer) to a bank or credit union, when is the benefit deposited into the retiree's account and when are the funds available?*

**A** The benefit is wired to the retiree's bank or credit union on the last business day of the month. The availability date of these funds is determined by the members banking institution.

## **Questions & Answers** *(Continued)*

**Q** *Does a member have a decision to make on how the pension will be paid?*

**A** YES. A member can take the maximum retirement allowance payable and will get a check every month for life in that amount, subject to adjustments from time to time. If a member takes the maximum retirement allowance payable, the member will recover the money contributed to the Fund in three years or less, and after the member dies, no further payments will be made from this Fund. A member can elect to take retirement payments under an option. Options give the retiree a lesser amount for life with the provision that upon their death the person designated as beneficiary will receive a retirement allowance. An example would be the 100% option. Instead of taking the maximum retirement allowance payable, the member elects to take a reduced amount for life and upon the member's death, the designated beneficiary will receive 100% of the allowance the member was receiving for life. The amount of reduction from the maximum is determined by option factors which are based on the member's and designated beneficiary's age and life expectancy. There are several types of options available.

**Q** *Once a member has retired and elected either the maximum benefit or elected an option, can this election be changed?*

**A** NO. An option elected by a member can only be changed prior to the effective date of retirement.

**Q** *How does unused sickleave affect the retirement allowance?*

**A** At retirement, a member's unused sickleave is converted to creditable membership service, which when multiplied by 2.46% of the average of the three (3) best years, increases the retirement allowance. For example, sickleave of 150 days converts to 7 months of creditable membership service. However, unused sickleave cannot be used to determine service eligibility for retirement.

**Q** *In the event a retiree is divorced or widowed, can he/she drop the option elected or change it in favor of a new spouse?*

**A** NO. In the event a retiree is divorced or widowed from his/her spouse, the option elected cannot be dropped or transferred in favor of a new spouse after the effective date of retirement.

### Questions & Answers *(Continued)*

**Q** *Can a member buy any service for which credit is not being received?*

**A** NO. A member can only get credited for the time in which both the member and the Authority make contributions.

**Q** *Who can an active or retired member contact with specific questions concerning health and life insurance benefits?*

**A** Active and retired members of the MBTA may contact the Benefits Department with specific questions about health and life insurance benefits. The telephone number is (617) 222-3244. Written inquiries should be sent to the MBTA Benefits Department, 10 Park Plaza, 4th Floor, Boston, MA 02116.

**Q** *Can a member withdraw any money from the Fund and pay it back at a later date with interest?*

**A** NO. A member cannot withdraw any contributions from the Fund. The only way a member can obtain money from the Fund is either by resigning or retiring.

**Q** *Can I receive creditable service in the MBTA Retirement Fund for service with any other Federal, State or local government agency?*

**A** NO. Since the MBTA Retirement Fund is a private system, no credit can be given for service other than with the MBTA.

**Q** *If the surviving spouse is eligible to receive a monthly benefit, how soon does he/she begin receiving the benefit? Does he/she have to wait until the member would have reached age 65?*

**A** The surviving spouse is eligible to receive the benefit the first month following the member's death. He/She does not have to wait until the member would have reached age 65.

**Example:** Member passes away June 15<sup>th</sup>. The surviving spouse is eligible for benefit starting July 1<sup>st</sup>.

**Q** *How are changes made in the Pension Plan?*

**A** All changes and improvements to the Pension Plan are negotiated between Local #589 and the Authority.



## **Questions & Answers** *(Continued)*

**Q** *If I leave the employ of the Authority and return at a later date, am I eligible to "Buy Back" my prior service?*

**A** YES. A former member of the Fund who is re-employed by the Authority is eligible, after a 3-year waiting period, to request the Retirement Board to restore his/her previous service by the repayment of the withdrawn funds, plus interest. "Bridging the Gap" restores to the member the creditable service he/she built up during the previous period of employment. There is no credit given for the period between the date the member left the employ of the Authority and the date he/she was re-employed. That gap will always remain. Therefore, any member of the Fund who terminated his/her employment with the Authority and was re-employed should contact the Retirement Board to determine the amount necessary to "Buy Back" the previous service.

**Q** *How does a member qualify for a benefit under the Vesting Provision of the Fund?*

**A** Under the Vesting Provision of the Fund, a member who has at least 10 years of creditable membership service may qualify for a benefit provided that his/her employment with the MBTA ended through no fault of their own. If a member resigns or is discharged for cause, he/she is not eligible for a retirement benefit under this provision.

**Q** *When is a member eligible to receive a benefit under the Vesting Provision of the Fund?*

**A** Under the Vesting Provision of the Fund, a member is eligible to receive a retirement benefit the first of the month following the member's 65th birthday provided that the member has 10 years of creditable membership service in the Fund and his/her employment did not end voluntarily or by termination.



## Questions & Answers *(Continued)*

**Q** *Can taxes be withheld from my pension benefit?*

**A** Federal tax can be withheld and deducted from your pension check each month. The amount of federal tax withheld from your monthly benefit can be changed at anytime by filing a new W-4P form with the Retirement Fund.

The MBTARF Pension is not taxable in the state of Massachusetts. Retirees residing in Massachusetts should not include their pensionable earnings from the MBTA Retirement Fund as income on their Massachusetts return.

**Q** *If a member has a question concerning the Fund or would like to obtain an estimate of his/her retirement benefit, whom should he/she contact for the correct answer?*

**A** All questions should be directed to the MBTA Retirement Fund at One Washington Mall, Boston, MA 02108 617-316-3800 or 800-810-6228.



# **MBTA Retirement Fund**

One Washington Mall - 4<sup>th</sup> Floor  
Boston, MA 02108

617-316-3800  
*[www.mbtarf.com](http://www.mbtarf.com)*